

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**STANDING COMMITTEES**

**2010-2013**

**EXECUTIVE COMMITTEE:**

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Dr. Steven H. Stokes

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Mr. J. Cecil Gardner  
President V. Gordon Moulton  
Hon. Kenneth O. Simon  
Dr. Steven H. Stokes

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**SEPTEMBER 10, 2012**

**10:30 A.M.**

**FREDERICK P. WHIDDON ADMINISTRATION BUILDING  
AD 130, BOARD ROOM**

**REVISED AGENDA**

[View Complete Agenda Package](#)

**ITEM**

\* Approve: Revised Agenda

1 Approve: [Minutes](#)

2 Report: President's Report

***HEALTH AFFAIRS:***

3 Approve: [USA Hospitals Medical Staff Appointments and Reappointments for June, July and August 2012](#)

4 Approve: [USA Hospitals Medical Staff Bylaws and Rules and Regulations Revisions of August 1, 2012](#)

5 Report: Health System and Health Sciences

6 Report: USA Mitchell Cancer Institute

***ACADEMIC AND STUDENT AFFAIRS:***

7 Report: Academic Affairs

8 Report: Student Affairs

***BUDGET AND FINANCE:***

9 Report: Monthly Fund Financial Reports for [April, May, and June 2012](#)  
[Quarterly GASB Financial Statements, Nine Months ended June 30, 2012](#)  
[Summary Comparison of Fund Financial Reports to GASB Financial Statements, June 30, 2012 and 2011](#)

10 Approve: [Election of Directors of the USA Research and Technology Corporation](#)

11 Approve: [Affiliation Agreement Between the University of South Alabama and the USA Research and Technology Corporation](#)

12 Approve: [Student Center Renovations](#)

\* 13 Approve: [University Total Budget for 2012-2013](#)

***AUDIT:***

14 Report: KPMG Auditors

15 Report: Internal Auditors

\* 15.A Report: [Independent Audit of the USA Foundation Consolidated Financial Statements and the Disproportionate Share Hospital Funds Combined Financial Statements, June 2012 and 2011](#)

***DEVELOPMENT, ENDOWMENT AND INVESTMENTS:***

16 Report: Endowment and Investments

17 Report: Development and Alumni Relations

18 Approve: [Appreciation to the Faculty and Staff for Exemplary Contributions](#)

***OTHER:***

19 Approve: [Commendation of Joan L. Exline, Ph.D.](#)

20 Approve: [Appreciation to Senator Richard C. Shelby and Dr. Annette N. Shelby for Outstanding Contributions to the University of South Alabama](#)

\* *Item(s) added or revised.*



## MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

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August 31, 2012

TO: USA Board of Trustees

FROM: Bettye R. Maye *BRM*  
Secretary, USA Board of Trustees

Included herein are the unapproved minutes for the Board meetings held June 7 and 8, 2012. Please review these documents for amendment or approval at the September 10 Board meeting.

BRM:mgc

Enclosures

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES MEETING**

**June 8, 2012  
10:30 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Vice Chair, on behalf of Chair *Pro Tempore* Jim Yance, on Friday, June 8, 2012, at 10:30 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Tom Corcoran, Steve Furr, Cecil Gardner, Sam Jones, Bettye Maye, Christie Miree, Arlene Mitchell, Bryant Mixon, John Peek, Jimmy Shumock and Steve Stokes.

Members Absent: Trustees Robert Bentley, Tommy Bice, Scott Charlton, Ken Simon and Jim Yance.

Administration and Others: President Gordon Moulton; Drs. Brenda Beverly, Joe Busta, Dennis Campbell, Phil Carr, Julie Estis and Doug Marshall (Faculty Senate), Joel Erdmann, Ron Franks, John Gamble, David Gremse, Heather Hall, John Smith, Haynes Swingle, David Stearns, Sam Strada and Kim Zlomke; Messrs. Zeke Aull, Owen Bailey, Parker Chastain (SGA), Stan Hammack, Jack Hirsch, Don Langham, Abe Mitchell and Nino Mole (AASA); Mss. Lynne Chronister, Lisa Furr, Penny Hatcher (USA National Alumni), Geri Moulton, Angelia Stokes, Rhonda Striplin and Jean Tucker.

Press: Messrs. Braden Cheek, Darwin Singleton and Michael Tartt, Jr., (WPMI); and Mss. Renee Busby (*Press Register*) and Cassie Fambro (*The Vanguard*).

Dr. Furr convened the meeting, welcomed Trustees and guests, and called for consideration of **ITEM 1**, the minutes of the March 9, 2012, meeting of the Board of Trustees. On motion by Mr. Corcoran, seconded by Ms. Maye, the minutes were adopted by unanimous vote.

Dr. Furr called upon President Moulton for presentation of **ITEM 2**, the President's Report. President Moulton recognized Faculty Senate officers Drs. Phil Carr - President, Doug Marshall - President-elect, and Julie Estis - Secretary, and introduced Mr. Parker Chastain, SGA President. He talked about Spring Commencement held May 12, during which 1,347 degrees were conferred, bringing the number of degrees awarded during the 2011-2012 academic year to 2,795, and the University's historic total to 72,586. Congressman Jo Bonner addressed graduates as commencement speaker.

President Moulton discussed enrollment for fall, noting that participation in summer orientation programs and applications for campus housing have risen compared to last year – a positive sign that new student enrollment will see an increase for the 2012-2013 academic year. He noted that returning student enrollment is not as easy to predict, and projected a modest increase over last year's total.



President Moulton announced a record \$1 million in gifts made by faculty and staff to this year's Annual Fund drive, inclusive of matching funds. The campaign goal of \$575,156 was surpassed with 67 percent employee participation, including in excess of 120 "Leadership" gifts of \$1,000 or more. President Moulton recognized campaign co-chairs Dr. Joel Erdmann and Mr. Owen Bailey. He advised that USA ranks among the top five percent of universities nationwide relative to employee participation, and among the top 10 percent in the U.S. based upon total dollars raised. In addition, 2,477 faculty and staff pledged \$275,254 to United Way this year, making USA the United Way of Southwest Alabama's largest employee-funded campaign, and earning South Alabama the United Way's *Spirit of the Gulf Coast Award* for civic and philanthropic excellence. USA campaigns over the last decade have raised more than \$2.5 million in support of United Way initiatives. President Moulton conveyed gratitude to faculty and staff donors.

President Moulton and Dr. Erdmann detailed developments involving the Sun Belt Conference membership, naming the schools that have moved out of the league, and those joining Sun Belt. President Moulton reported on an aggressive search for the position of Vice President for Research following the departure of Dr. Russ Lea, and announced the appointment of Ms. Lynne Chronister. He shared highlights of Ms. Chronister's education and career, including receipt of an MPA degree from USA and prior service as Associate Director of USA's Office of Sponsored Programs. He introduced Ms. Chronister, who thanked the Board for the opportunity to return to USA and recognized the University's impressive growth.

President Moulton talked about events on the forefront, including USA's first football game of the upcoming fourth season against the University of Texas - San Antonio on Thursday, August 30; the next home game against Nicholls State game on Saturday, September 8; the dedication of Shelby Hall on Sunday, September 9, at 3:00 p.m.; and the next Board meeting on Monday, September 10, provided that **ITEM 3**, a resolution authorizing the Board meeting schedule for 2012-2013, is approved. President Moulton noted that the dedication of Shelby Hall will officially kick-off a year of celebration commemorating the University's 50<sup>th</sup> anniversary.

Following a brief report on recent legislation that allows USA Board members to meet and vote by telephone, President Moulton provided an update on construction projects, including Shelby Hall, the campus portals, the specialized lab facility, student housing and Children's and Women's Hospital. Photos and drawings showing the progress were viewed. President Moulton emphasized that no "green space" was sacrificed despite the construction under way, nor have asphalt parking lots been added. He credited Mr. Gary Carley, Manager of USA's Landscaping/Grounds Department on the main campus, and staff for the visual impact created with the installation of vibrant plant beds. He reported the expansion of the Children's and Women's Hospital is on schedule to be completed early in Spring 2013. He called upon Mr. Owen Bailey, Hospital Administrator, for additional remarks.

Dr. Furr called for consideration of **ITEM 3** as follows. On motion by Ms. Miree, seconded by Ms. Maye, the resolution was approved unanimously:

**RESOLUTION  
BOARD MEETING SCHEDULE, 2012-2013**

WHEREAS, Article II, Section 1, of the Bylaws provides that the Board shall schedule annually, in advance, regular meetings of the Board to be held during the ensuing year, and may designate one of such meetings as the annual meeting of the Board,

THEREFORE, BE IT RESOLVED that the regular meetings of the University of South Alabama Board of Trustees shall be held on the following dates:

Monday, September 10, 2012  
Thursday, December 6, 2012  
Friday, March 8, 2013  
Friday, June 7, 2013

FURTHER, BE IT RESOLVED that the date of June 7, 2013, be designated as the annual meeting of the University of South Alabama Board of Trustees for 2012-2013.

Dr. Furr, as Chair of the Health Affairs Committee, moved approval of **ITEM 4** as follows.  
Dr. Stokes seconded and the resolution was approved unanimously:

**RESOLUTION  
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR MARCH, APRIL AND MAY 2012**

WHEREAS, the Medical Staff appointments and reappointments for March, April and May 2012 for the University of South Alabama Hospitals are recommended for Board approval by the Medical Executive Committees and the Executive Committee of the University of South Alabama Hospitals,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama approves the appointments and reappointments as submitted.

Dr. Furr called upon Dr. Franks for presentation of **ITEM 5** as follows. On motion by Dr. Stokes, seconded by Ms. Miree, the resolution was approved unanimously:

**RESOLUTION  
PROFESSORS EMERITUS**

WHEREAS, the following faculty members have retired from the University of South Alabama:

James Downey, Ph.D., Professor, Physiology  
Michael Harpen, M.D., Professor, Radiology  
James Parker, Ph.D., Professor, Physiology

and,

WHEREAS, the Dean of the College of Medicine and the Vice President for Health Sciences duly recommend them,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby appoints the aforementioned individuals to the rank of Emeritus Professor with the rights and privileges thereunto appertaining, and

BE IT FURTHER RESOLVED that the Board of Trustees of the University of South Alabama, in recognition of their noteworthy accomplishments and dedicated service to the University of South Alabama, wishes to convey its deep appreciation to these individuals.

Dr. Franks presented **ITEM 6**, a report on the activities of the USA Health System and the Division of Health Sciences. He reported on a \$9.2 million competitive research grant awarded by the National Institutes of Health to the University's Center for Lung Biology, one of the largest in USA history. The grant will fund a study of the causes and effects of pneumonia, as featured in the morning edition of the *Press-Register*, which was provided to Board members. Dr. Franks said a thorough presentation will be given at a future meeting.

Dr. Franks introduced Dr. Hanes Swingle, Associate Professor in the College of Medicine and Coordinator of USA's Behavior and Developmental Clinic, to discuss the University's multi-disciplinary approach to autism treatment. Dr. Swingle clarified characteristics of the disorder and provided narrative to video clips depicting children with classic autistic behavior. He introduced fellow clinicians Drs. Brenda Beverly - Department of Speech Pathology and Audiology, Dennis Campbell - Department of Leadership and Teacher Education, Kim Zlompke - Department of Psychology, and Heather Hall - Department of Maternal/Child Nursing, and spoke about insurance reform. Dr. Franks thanked Dr. Swingle for his presentation. Ms. Miree reiterated that one in 88 children is diagnosed with autism, as is one in 54 boys. She expressed heartfelt appreciation to Dr. Swingle and the clinical staff for their valuable contributions to the field.

Dr. Strada announced the appointment of Dr. David Gremse as Chair of the Department of Pediatrics, and shared biographic highlights. Mr. Bailey conveyed enthusiasm for the tremendous team of Drs. Gremse and David Lewis, Chair of the Department of Obstetrics and Gynecology, now engaged to administer women's services at Children's and Women's Hospital. Upon introduction, Dr. Gremse shared gratitude for the quality medical education and experience he received at South Alabama, and for the chance to return to USA and serve. Dr. Furr commented on Dr. Gremse's distinguished standing in the community.

Concerning **ITEM 7**, a report on the Mitchell Cancer Institute (MCI), President Moulton discussed the designation of additional state appropriations totaling \$3 million. Of this, a \$2 million continuing allocation will come from the Alabama Special Education Trust Fund, and \$1 million was included in Governor Bentley's budget recommendation for the 2012-2013 fiscal year. President Moulton recognized the efforts of Alabama Representative and USA alumnus Jim Barton, Chair of the Alabama Ways and Means General Fund Committee, in securing the extra money. He said these funds will provide valuable seed money for projects, thus elevating USA's profile when competing for research grants. He noted that \$8 million in additional appropriations is designated for UAB.

Dr. Furr called for consideration of academic and student affairs items. Ms. Miree, Chair of the Academic and Student Affairs Committee, moved approval of **ITEM 9** as follows. Mr. Corcoran seconded and the resolution was approved unanimously:

**RESOLUTION  
TENURE AND PROMOTION**

WHEREAS, in accordance with University policy, faculty applications for tenure and promotion have been reviewed by the respective faculty peers, Departmental Chair, College Dean, and by the Senior Vice President for Academic Affairs or the Vice President for Medical Affairs, and the President, and of those faculty considered, the following individuals are hereby recommended for tenure and/or promotion,

THEREFORE, BE IT RESOLVED, that the University of South Alabama Board of Trustees approves and grants tenure and/or promotion to those individuals whose names are listed below to be effective August 15, 2012.

**PAT CAPPS COVEY COLLEGE OF ALLIED HEALTH PROFESSIONS:**

**Tenure:**

Elizabeth M. Adams  
Elizabeth T. Kennedy

**Promotion to Professor:**

Dennis W. Fell  
Glenn L. Irion

**Promotion to Associate Professor:**

Elizabeth M. Adams  
Elizabeth T. Kennedy  
Daniel T. Vetrosky  
Donna A. Wooster

**COLLEGE OF ARTS AND SCIENCES:**

**Tenure:**

Robert E. Barletta  
Joshua B. Barnard  
David Benko  
Iain Moffatt  
Ted L. Poston  
Christopher T. Raczkowski

**Promotion to Associate Professor:**

Robert E. Barletta  
Joshua B. Barnard  
David Benko  
C. Diane Gibbs  
Matthew A. Johnson  
Iain Moffatt  
Ted L. Poston  
Christopher T. Raczkowski

**Promotion to Senior Instructor**

Sonna C. Farmer  
Karen J. Jordan

**Promotion to Professor**

Philip J. Carr  
Kyeong Park

**MITCHELL COLLEGE OF BUSINESS:**

**Tenure:**

Thomas G. Noland

**Promotion to Professor:**

R. Zachary Finney  
Thomas G. Noland

**COLLEGE OF EDUCATION:**

**Tenure:**

Andre' M. Green  
Joe'l P. Lewis

**Promotion to Associate Professor:**

Andre' M. Green  
Joe'l P. Lewis

**Promotion to Senior Instructor:**

Jennifer L. Simpson

**Promotion to Professor:**

Abigail Baxter

**COLLEGE OF MEDICINE:**

**Tenure:**

Trey Lemley

**Promotion to Professor:**

Michael Linder  
Felicia Wilson

**Promotion to Associate Librarian:**

Trey Lemley

**Promotion to Associate Professor:**

Craig Sherman  
Amy Morris (Adjunct)

**COLLEGE OF NURSING:**

**Promotion to Senior Instructor:**

Stacey L. Bertolla  
Loretta Jones  
Susan G. Williams

**Promotion to Professor:**

Robin M. Lawson  
Sara C. Majors  
Joyce M. Varner

**Promotion to Associate Professor:**

Sharon M. Fruh

**MITCHELL CANCER INSTITUTE:**

**Promotion to Assistant Professor:**

Seema Singh

Relative to **ITEM 8**, a report on the activities of the Division of Academic Affairs, Dr. Johnson detailed grant awards to Drs. Steven Picou, Professor of Sociology, and Jennifer Langhinrichsen Rohling, Professor of Psychology, totaling \$12.3 million, the largest received at USA in conjunction with the BP oil spill in the Gulf of Mexico in April 2010. Both projects, funded through a court settlement, will concentrate on the development of health outreach programs to benefit disaster victims.

Dr. Johnson introduced Dr. John Gamble, Professor of Management and Director of Graduate Studies for the Mitchell College of Business, who discussed enhancements to USA's MBA program. Dr. Gamble reported that 2012 graduates scored in the 97<sup>th</sup> percentile on a national exit exam. He introduced Mr. Jack Hirsch ('03, '12), who thanked the Board of Trustees for the high-caliber educational experience gained by USA students. Mr. Hirsch said the University's positive image in the community attracted him to return for an MBA degree.

Ms. Miree called upon Dr. Smith for presentation of **ITEM 10**, a report on the activities of the Division of Student Affairs. Dr. Smith introduced Mr. Zeke Aull, Chief of University Police, who discussed crisis protocols and notification methods enacted for emergency situations. He said emergency information would soon be available through the social media Web site Facebook, a favorite resource among students. Brief discussion took place about the use and effectiveness of security cameras on campus. President Moulton said a combination of means is beneficial for maintaining a safe environment for students and personnel. Dr. Smith added that the Administration works hard to promote safety awareness.

Ms. Miree addressed **ITEM 11** as follows, noting that a thorough discussion had taken place during the Committee of the Whole meeting held June 7 (for copies of policies and other authorized documents, refer to **APPENDIX A**). On motion by Ms. Miree, seconded by Ms. Mitchell, the resolution was approved unanimously:

**RESOLUTION**

**TUITION, HOUSING AND FEE SCHEDULES, 2012-2013**

**WHEREAS**, the University of South Alabama is committed to maintaining high-quality educational and student services programs, and

WHEREAS, in the face of the global economic recession that has continued to diminish state revenues, the Alabama Legislature has approved a 2012-2013 education budget that reduces USA's state funding by \$4.1 million, or 4 percent, from last year and \$41.4 million, or 30 percent, from the 2007-2008 fiscal year, and

WHEREAS, USA has faced accumulated reductions in state appropriations of \$194.8 million since the 2007-2008 fiscal year, and

WHEREAS, USA will receive the lowest combined state and federal appropriations, including 2010 and 2011 federal stimulus funding, since the recession began, and

WHEREAS, the University has responded to the recession by implementing numerous cost-cutting measures including aggressive reductions in hiring, even as enrollment has grown substantially, as well as new initiatives to maximize efficiency of the delivery of services, and

WHEREAS, increases in tuition and housing rates are necessary to maintain the standard of quality that USA students and their families desire and expect, and

WHEREAS, with the proposed tuition and housing rates for 2012-2013, as set forth in the attached schedules, such costs at the University would continue to be among the lowest in effect at peer public doctoral-level research institutions in the state of Alabama,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama approves the tuition, housing and required student fees for the 2012-2013, as set forth in the attached schedules.

Dr. Furr called for consideration of budget and finance items. Mr. Corcoran, Budget and Finance Committee Chair, acknowledged receipt of **ITEM 12** reports titled *Monthly Fund Financial Reports for January, February and March 2012*; *Quarterly GASB Financial Statement for the Six Months Ended March 2012*; and *Summary Comparison of Fund Financial Reports to GASB Financial Statements, March 31, 2012 and 2011*. There was no discussion.

Mr. Corcoran moved approval of **ITEM 13** as follows. Ms. Maye seconded and the resolution was approved unanimously:

**RESOLUTION  
SELECTION OF ARCHITECT FOR STUDENT HOUSING**

WHEREAS, the University of South Alabama has a growing enrollment, and the recruitment of students as well as the quality of student life are strongly enhanced by excellent residential facilities, and

WHEREAS, the number of students seeking residence on campus has grown significantly over the past four years, and providing additional residential buildings is most beneficial at the beginning of a fall semester, and

WHEREAS, the fall of 2014 is the target date for another new residential building, and

WHEREAS, it is important to continue the architectural style initiated by the design of Stokes Hall by the firm Williams Blackstock, and there are efficiencies to be achieved in both time and costs by continuing with the same architectural firm,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama authorizes the President to engage the firm of Williams Blackstock for this project.

Concerning a report on the University's endowment and investments, **ITEM 14**, there was no discussion.

Regarding **ITEM 15**, evaluation of the University President, Mr. Corcoran, as chair of the process, provided a summary, giving examples of the University's extraordinary growth under President Moulton's direction. He cited feedback from the Board of Trustees and leaders representing the University administration, faculty, students and alumni, as well as from members of the community and various levels of government. He reported that the overwhelming consensus is great satisfaction with President Moulton's leadership abilities, communication skills and passion for the University. He conveyed confidence that South Alabama is on a sound track and will continue to excel. President Moulton thanked Mr. Corcoran and the Board for their kind words. He attributed his success to the people represented in the room, others not present, and those preceding him. He emphasized the Administration's approach is to debate solutions and act in the University's best interest. He shared an appreciation for the University's harmonious environment, and commended Board members for their dedication and involvement. Following brief remarks by Trustees, Dr. Furr extended gratitude to Mr. Corcoran for his role in facilitating the evaluation and to President Moulton for his invaluable leadership.

Following brief reports by Dr. Erdmann on USA's softball program success and Dr. Busta on the progress of the 50<sup>th</sup> Anniversary Campaign, President Moulton presented **ITEM 16** as follows, remembering former USA Trustee Mr. Larry Striplin's wit and sense of humor. He recounted that Mr. Striplin's interests were many, and his philanthropic and civic involvement statewide – inspiring. He said Mr. Striplin was of great counsel and support to the Administration, and he asked Mrs. Rhonda Striplin to join him for the reading of the resolution. On motion by Dr. Stokes, seconded by Ms. Mitchell, the resolution was approved unanimously. Following brief comments from Mrs. Striplin, a video commemorating Mr. Striplin's life and USA service was viewed:

**RESOLUTION  
TRIBUTE TO TRUSTEE LARRY D. STRIPLIN, JR.**

**WHEREAS**, Mr. Larry D. Striplin, Jr., served faithfully as a member of the Board of Trustees of the University of South Alabama from the time of his appointment in 1998 until his death on January 23, 2012, and

**WHEREAS**, Mr. Striplin was a tireless advocate for improving people's lives through education and provided his time, talent and resources as a supporter and valued trustee of the University, and

**WHEREAS**, Mr. Striplin was instrumental in the creation of a long-range facilities master plan at the University and, at the time of his death, served on the Board of Trustees Long-Range Planning Committee, having served previously on the Development, Endowment and Investments; Budget and Finance/Audit; and Health Affairs committees, and

**WHEREAS**, in addition to his service as trustee, Mr. Striplin was a highly successful businessman and community leader who was generous in his philanthropy to USA and supported numerous University projects, including: the *Larry D. Striplin, III, Basketball Practice Facility*, a gymnasium memorializing his late son, a former USA student and Jaguar basketball manager; philanthropic support for the *Joseph and Rebecca Mitchell Learning Resource Center* in the Mitchell College of Business; and the donation of several pieces of sculpture to *Geri Moulton Children's Park* at USA Children's and Women's Hospital, and

**WHEREAS**, Mr. Striplin was a well-known sports figure across the State of Alabama who was committed to building the character of young people through involvement in athletics and extracurricular activities, and who was particularly supportive in the successful development of USA's intercollegiate football and marching band programs, and

**WHEREAS**, Mr. Striplin's many good works will forever enhance the quality of life of countless citizens who benefit from USA's teaching, research and health care programs, and

WHEREAS, Mr. Striplin's insight, leadership, good humor and treasured friendship will be greatly missed by his many friends and colleagues at USA,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama acknowledges the legacy of Mr. Larry D. Striplin, Jr., and pays tribute to his memory for his many contributions and invaluable service to the Board, to the University of South Alabama community, and to the people of the State of Alabama, all of whom have benefitted from his wisdom, dedication, service, and generosity, and

BE IT FURTHER RESOLVED, the Board extends heartfelt sympathy to Mrs. Rhonda Striplin and to all members of the Striplin family.

There being no further business, the meeting was adjourned at 11:46 a.m.

Attest to:

Respectfully Submitted:

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Bettye R. Maye, Secretary

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Steven P. Furr, M.D., Vice Chair

On behalf of:

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James A. Yance, Chair *Pro Tempore*



**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**COMMITTEE OF THE WHOLE**

**June 7, 2012  
2:00 p.m.**

A meeting of the Committee of the Whole was duly convened by Dr. Steve Furr, Vice Chair, on behalf of Chair *Pro Tempore* Jim Yance, on Thursday, June 7, 2012, at 2:02 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Tom Corcoran, Steve Furr, Cecil Gardner, Bettye Maye, Christie Miree, Arlene Mitchell (via phone), Bryant Mixon, John Peek, Jimmy Shumock and Steve Stokes.

Members Absent: Trustees Robert Bentley, Tommy Bice, Scott Charlton, Sam Jones, Ken Simon and Jim Yance.

Administration and Others: President Gordon Moulton; Drs. Mike Boyd, Joe Busta, Phil Carr, Julie Estis and Doug Marshall (Faculty Senate), Ron Franks, David Johnson, John Smith and David Stearns; Messrs. Terry Albano, Parker Chastain (SGA), Stan Hammack and Norman Pitman; and Ms. Jean Tucker.

Press: Ms. Renee Busby (*Press-Register*).

Dr. Furr convened the meeting and called for a report of endowment and investments performance, **ITEM 14**. Mr. Albano reported the endowment return outperformed its relative index by .65 percent for the first six months of the 2012 fiscal year. From October 1, 2011, through April 30, 2012, the return was 11.89 percent vs. a relative index of 11.24 percent. Mr. Albano noted an endowment value of \$86,891,602 at the end of April 2012. This value included a net addition of new money totaling \$2 million. Mr. Albano reviewed asset allocation for the 2012 fiscal year, specifying accordance with the University's investment policy. He discussed how the new funds had been invested, as well as performance since inception, which saw a return of 4.10 percent vs. the relative index of 3.26 percent, an outperformance of .84 percent. He introduced Mr. Pitman, who provided information on an endowment study conducted by the National Association of College and University Business Officers (NACUBO). Mr. Pitman said the University's performance ranked above the average reported in the NACUBO study.

President Moulton introduced Drs. Phil Carr, Doug Marshall and Julie Estis, who recently took office as Faculty Senate President, President-elect and Secretary, respectively. He also recognized Mr. Parker Chastain, new President of the Student Government Association.

President Moulton discussed **ITEM 11**, a resolution authorizing new rates for tuition, fees and housing for the 2012-2013 academic year, as set forth in the appended schedules (for copies of resolutions, policies and other authorized documents, refer to the USA Board of Trustees meeting minutes dated June 8, 2012). In general, the recommendation calls for a 7.7 percent increase in tuition, inclusive of required student fees, and an average 7.3 percent increase in housing rates.

Detailed budget materials were distributed to the Committee, wherein were outlined assumptions relative to the 2012-2013 fiscal year. President Moulton noted ties between deteriorating state funding for higher education and the economic downturn, specifically due to shortages in tax revenue. With regard to the budget, he offered the following considerations. First, inasmuch as the University has had deficit budgets for four consecutive years, necessitating the use of reserves despite expenditure cuts totaling \$11.2 million, he asserted that reserve spending cannot continue, and stated a balanced budget proposal would be presented at the September Board meeting. Second, President Moulton recognized the faculty and staff, who, in spite of a considerable reduction in personnel, which accounts for much of the cost savings, have sacrificed to preserve the quality of the Institution. He stressed that the heart of the University is its people, recognized the cooperative spirit of USA personnel in dealing with the challenges, having done so without cost-of-living raises in four years, and advised that the 2012-2013 budget proposal would include a salary plan for faculty and staff. Third, he addressed the affordability of South Alabama as compared to the higher costs at Alabama peer institutions.

President Moulton talked about changing expectations for higher education in today's economy. He said emerging trends show tuition and fee costs now exceeding state appropriations. He gave data on scholarships and Pell Grants, as well as student loans and debt. He stated higher education provides the greatest return on one's investment, citing 75 percent more earnings over a lifetime with a baccalaureate degree than with a high school diploma.

A comparison of current and projected tuition, fee and housing costs for peer public doctoral research institutions in the state was reviewed. The data showed South Alabama students would continue to pay less than if enrolled at Auburn University, the University of Alabama, the University of Alabama at Birmingham, the University of Alabama at Huntsville, Troy University or Jacksonville State University. President Moulton expressed confidence in the Administration's recommendation, noting that USA tuition and fees will remain below the state average, thus preserving the University's competitive position as a top bargain in Alabama for a quality, well-rounded college education, while also generating the revenue needed for a balanced budget.

President Moulton called upon Mr. Chastain to comment on behalf of the student body. Mr. Chastain stated that, although increased tuition is not preferable, giving an adequate explanation of the justifying reasons will promote acceptance among students. Dr. Carr agreed that students often do not have a clear understanding as to the necessity of tuition increases, and he stressed the importance of faculty communication in the classroom.

President Moulton reported that among peer institutions in the state USA spends the highest percentage per student on instructional costs. He added the University maintains strict standards for producing a high-quality product, as well as for efficiency. On motion by Dr. Furr, seconded by Ms. Miree, the Committee voted unanimously to recommend Board approval of **ITEM 11**. President Moulton acknowledged Ms. Mitchell's vote via the phone, and discussed recent legislation that allows USA Trustees to cast their votes by phone.

There being no further business, the meeting was adjourned at 2:49 p.m.

Attest to:

Respectfully Submitted:

---

Bettye R. Maye, Secretary

---

Steven P. Furr, M.D., Vice Chair

On behalf of:

---

James A. Yance, Chair *Pro Tempore*

**RESOLUTION**

**USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS  
FOR JUNE, JULY AND AUGUST 2012**

**WHEREAS**, the medical staff appointments and reappointments for June, July and August 2012 for the University of South Alabama Hospitals are recommended for Board approval by the Medical Executive Committees and the Executive Committee of the University of South Alabama Hospitals,

**THEREFORE, BE IT RESOLVED** that the Board of Trustees of the University of South Alabama approves the appointments and reappointments as submitted.

UNIVERSITY OF SOUTH ALABAMA



STANLEY K. HAMMACK  
VICE PRESIDENT  
HEALTH SYSTEM

REC'D  
OFFICE OF THE PRESIDENT

AUG 21 2012  
*[Handwritten signature]*

UNIVERSITY OF SOUTH ALABAMA  
TELEPHONE: (251) 471-7118  
2451 FILLINGIM STREET, SUITE 2110  
MOBILE, ALABAMA 36617-2293  
FAX: (251) 471-7751

**MEMORANDUM**

**TO:** V. Gordon Moulton  
President

**FROM:** Stan Hammack *SKH*

**DATE:** August 15, 2012

Attached for review and approval by the Health Affairs Committee and the Board of Trustees are:

**Resolution – University of South Alabama Hospitals Medical Staff Appointments and Reappointments for June, July and August 2012**

- Credentials Report – June, July and August 2012

**Resolution – University of South Alabama Hospitals Medical Staff Bylaws and Rules and Regulations Revisions of August 1, 2012**

- Summary of Revisions

SKH:eb

Attachments



**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK  
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS  
FOR BOARD OF TRUSTEE APPROVAL  
June, July and August 2012**

The following is a listing of recommendations for approval of new appointments, reappointments and other status changes of physicians and affiliate staff professionals. These have been reviewed and are recommended by the Medical Executive committee of the respective hospitals.

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Allen-Johnson, Jennifer, M.D.	Reappt.	Courtesy	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Angerholzer, Susan L., P.A.	Reappt.	Affiliate	Surgery	Reappt.	Affiliate	Surgery	N/A	N/A	N/A
Baker, Susan L., M.D.	Reappt.	Active	OBGYN	Reappt.	Active	OBGYN	Reappt.	Active	OBGYN
Baldy, Maureen T., DMD	Reappt.	Affiliate	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Baliem, Wilma D., ACNP	Reappt.	Affiliate	Internal Med.	Reappt.	Affiliate	Internal Med.	Reappt.	Affiliate	Internal Medicine
Baranano, Edward C. M.D.	Reappt.	Courtesy	Surgery	Reappt.	Active	Surgery	N/A	N/A	N/A
Barton, Patton M., M.D.	Reappt.	Courtesy	OBGYN	Reappt.	Courtesy	OBGYN	N/A	N/A	N/A
Benke, Sallie Keaten, M.D.	New Appt.	Active	Internal Med.	New Appt.	Active	Internal Med.	New Appt.	Active	Internal Medicine
Beverly, Tonia M., CCA	Reappt.	Affiliate	Surgery	Reappt.	Affiliate	Surgery	Reappt.	Affiliate	Surgery
Blair-Elortegui, Judy V., M.D.	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Blair-Elortegui, Judy V., M.D.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Medicine
Bolton, Wilburn D., M.D.	New Appt.	Active	Internal Med.	New Appt.	Active	Internal Med.	New Appt.	Active	Internal Medicine
Bolton, Wilburn D., M.D.	N/A	N/A	N/A	New Appt.	Active	Emergency Med.	New Appt.	Active	Emergency Medicine
Boyd, Jimmy L., PA	Reappt.	Affiliate	Orthopaedics	Reappt.	Affiliate	Orthopaedics	N/A	N/A	N/A
Brannan, John P., Jr., M.D.	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Brevard, Sidney B., M.D.	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Brown, Mark S., M.D.	N/A	N/A	N/A	Reappt.	Active	Surgery	N/A	N/A	N/A
Brutkiewicz, Barbara V., CRNP	Reappt.	Affiliate	Pediatrics	N/A	N/A	N/A	Reappt.	Affiliate	Pediatrics
Bunch, Dennise, R.N.	Reappt.	Affiliate	Radiology	N/A	N/A	N/A	Reappt.	Affiliate	Radiology
Busby, Melanie D., P.A.	Reappt.	Affiliate	Orthopaedics	Reappt.	Affiliate	Orthopaedics	N/A	N/A	N/A
Butt, Shera A., CRNP	N/A	N/A	N/A	New Appt.	Affiliate	Surgery	New	Affiliate	Surgery
Cameron, Daniel G., M.D.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Medicine
Camp, Pamela R., ACNP	Reappt.	Affiliate	Internal Med.	Reappt.	Affiliate	Internal Med.	Reappt.	Affiliate	Internal Medicine
Carpenter, David C., M.D.	Reappt.	Courtesy	OBGYN	Reappt.	Courtesy	OBGYN	N/A	N/A	N/A
Clark, Melanie H., M.D.	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Clarkson, David R., M.D.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Medicine
Clements, Lloyd S., M.D.	Reappt.	Active	CEC/Peds	N/A	N/A	N/A	Reappt.	Active	CEC/Peds
Cole, Jason H., M.D.	Reappt.	Courtesy	Internal Med.	Reappt.	Courtesy	Internal Med.	N/A	N/A	N/A

**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK**  
**MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS**  
**FOR BOARD OF TRUSTEE APPROVAL**  
June, July and August 2012

The following is a listing of recommendations for approval of new appointments, reappointments and other status changes of physicians and affiliate staff professionals. These have been reviewed and are recommended by the Medical Executive committee of the respective hospitals.

NAME	USACWH		USAMC		AMBULATORY CARE	
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Contreras, Carlos N., M.D.	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Correra, Kristin B., DMD	New Appt.	Affiliate	Surgery	N/A	N/A	N/A
Crocker, Percy V., M.D.	Reappt.	Courtesy	Surgery	N/A	N/A	N/A
Davis, Angela, RN	Reappt.	Affiliate	Internal Med.	Reappt.	Affiliate	Internal Med.
Dees, Daniel D., M.D.	New Appt.	Active	Neurology	New Appt.	Active	Neurology
Douglas, Mark J., M.D.	Reappt.	Courtesy	Surgery	N/A	N/A	N/A
Duncan, Clinton E., P.A.	Reappt.	Affiliate	Orthopaedics	Reappt.	Affiliate	Orthopaedics
Gosche, John R., M.D.	New Appt.	Active	Surgery	New Appt.	Active	Surgery
Goslings, Sophia M., M.D.	New Appt.	Active	Pediatrics	N/A	N/A	Pediatrics
Handwerger, Adam J., M.D.	New Appt.	Courtesy	Surgery	New Appt.	Courtesy	Surgery
Hayes, Casey C., RDH	Reappt.	Affiliate	Surgery	N/A	N/A	N/A
Henderson, Phillip K., D.O.	New Appt.	Active	Internal Med.	New Appt.	Active	Internal Med.
Holston, Joseph T., CCCA	Reappt.	Affiliate	Surgery	Reappt.	Affiliate	Surgery
Horton, Amanda M., CRNA	Reappt.	Affiliate	Anesthesia	Reappt.	Affiliate	Anesthesia
Johnson, Alfreda M., R.N.	Reappt.	Affiliate	Internal Med.	Reappt.	Affiliate	Internal Med.
Justice, Wiley H., M.D.	N/A	N/A	N/A	Reappt.	Active	Surgery
Laurini, Javier A., M.D.	New Appt.	Active	Pathology	New Appt.	Active	Pathology
Little, Walter K., D.D.S.	Reappt.	Affiliate	Surgery	N/A	N/A	N/A
Liu, Gerald, M.D.	New Appt.	Active	Family Med.	New Appt.	Active	Family Medicine
Lundy, Misty J., RDH	New Appt.	Affiliate	Surgery	N/A	N/A	N/A
Krolikowski, Francis J., M.D.	N/A	N/A	N/A	New Appt.	Active	Pathology
McClellan, Robert B., M.D.	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics
McCoy, Amy M., M.D.	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A
Myers, Lori A., M.D.	N/A	N/A	N/A	Reappt.	Active	Emergency Medicine
Myrick, Gregory R., M.D.	N/A	N/A	N/A	Reappt.	Active	Emergency Medicine
Norris, Florence, R.N.	Reappt.	Affiliate	Internal Med.	Reappt.	N/A	N/A
Ove, Roger, M.D.	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Overschmidt, Carrie S., CCCA	Reappt.	Affiliate	Surgery	Reappt.	Affiliate	Surgery

The following is a listing of recommendations for approval of new appointments, reappointments and other status changes of physicians and affiliate staff professionals. These have been reviewed and are recommended by the Medical Executive committee of the respective hospitals.

5



**UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK**  
**MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS**  
**FOR BOARD OF TRUSTEE APPROVAL**  
June, July and August 2012

The following is a listing of recommendations for approval of new appointments, reappointments and other status changes of physicians and affiliate staff professionals. These have been reviewed and are recommended by the Medical Executive committee of the respective hospitals.

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Beftencourt, Robert B., M.D.	N/A	N/A	N/A	Added Privs.	Active	ED/Family	Added Privs.	Active	ED/Family
Brevard, Sidney G., M.D.	Added Privs.	Active	Surgery	Added Privs.	Active	Surgery	Added Privs.	Active	Surgery
Clark, Michael E., M.D.	Added Privs.	Active	OBGYN	N/A	N/A	N/A	N/A	N/A	N/A
Cordina, Steve M., M.D.	Added Privs.	Active	Neurology	Added Privs.	Active	Neurology	Added Privs.	Active	Neurology
Courtney, James V., M.D.	Added Privs.	Active	Radiology	Added Privs.	Active	Radiology	Added Privs.	Active	Radiology
Dyess, Donna L., M.D.	Added Privs.	Active	Surgery	Added Privs.	Active	Surgery	Added Privs.	Active	Surgery
Frotan, Mohammad A., M.D.	Added Privs.	Active	Surgery	N/A	N/A	N/A	Added Privs.	Active	Surgery
Gonzalez, Richard P., M.D.	N/A	N/A	Surgery	Added Privs.	Courtesy	Radiology	N/A	N/A	N/A
Hassell, David R., M.D.	Added Privs.	Active	Surgery	Added Privs.	Active	Surgery	Added Privs.	Active	Surgery
Hodge, Juvonda S., M.D.	Added Privs.	Active	Radiology	Added Privs.	Active	Radiology	Added Privs.	Active	Radiology
Mowry, Margaret H., M.D.	Added Privs.	Active	Surgery	N/A	N/A	N/A	Added Privs.	Active	Surgery
Nijhawan, Sheetal, M.D.	Added Privs.	Active	Surgery	N/A	N/A	N/A	Added Privs.	Active	Surgery
Richards, William O., M.D.	Added Privs.	Active	Surgery	N/A	N/A	N/A	Added Privs.	Active	Surgery
Simmons, Jon D., M.D.	Added Privs.	Active	Surgery	N/A	N/A	N/A	Added Privs.	Active	Surgery
Steffler, Brad A., M.D.	Added Privs.	Active	Radiology	Added Privs.	Active	Radiology	Added Privs.	Active	Radiology
<b>Retired Resigned</b>									
Benefield, Amy E., CRNA	Resigned	6/30/2012	Anesthesia	Resigned	6/30/2012	Anesthesia			
Benjamin, John, M.D.	Resigned/moved	5/28/2012	Pediatrics	Resigned/moved	5/28/2012	Pediatrics			
Bonner, Johnny, Sr., M.D.	Resigned/moved	6/30/2012	Internal Med.	Resigned/moved	6/30/2012	Internal Med.			
Brascho, Donn J., M.D.	Contract Termined	6/9/2012	Radiology	Contract Termined	6/9/2012	Radiology			
Davis, Michael R., M.D.	N/A	N/A	N/A	Resigned	04/16/12	Internal Med.			
Deshazo, Megan, M.D.	Resigned	5/5/2012	Neurosurgery	Resigned	05/05/12	Neurosurgery			
Dyess, Cornelia, RN	Resigned	7/10/2012	Internal Med.	Resigned	07/10/12	Internal Med.			
Eggl, Travis D., D.O.	N/A	N/A	N/A	Resigned/moved	05/30/12	Emerg. Med.			
Evans, Anna, P.A.	Resigned	6/21/2012	Surgery	Resigned	06/21/12	Surgery			
Foster, Michael B., M.D.	N/A	N/A	N/A	Resigned/moved	06/30/12	Emerg. Med.			
Goldstone, Adam L., M.D.	N/A	N/A	N/A	Resigned/moved	06/30/12	Emerg. Med.			
Hendry, Christy, D.A.	Resigned	5/23/2012	Surgery	N/A	N/A	N/A			
John, Susan, M.D.	Resigned/moved	5/25/2012	Pediatrics	N/A	N/A	N/A			
Kadokia, Rajesh, M.D.	Contract Termined	7/2/2012	EC	N/A	N/A	N/A			
Lipscomb, Gregory R., M.D.	N/A	N/A	N/A	Resigned/moved	06/30/12	Emerg. Med.			
Marmande, Christopher, CRNA	Resigned	7/24/2012	Anesthesia	Resigned	07/24/12	Anesthesia			




UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK  
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS  
FOR BOARD OF TRUSTEES APPROVAL


June, July and August 2012


**LEGEND:**

New Appt. Reappt.	New application for medical staff privileges recommended for approval. Reappointment application for medical staff privileges recommended for approval.
No Privs. Change in Status	No privileges requested Added privileges Change Department
Retired Resigned	Moved, Retired or Resigned

**RECOMMENDED BY:**

  
Ehab A. Molokhia, M.D., Chair of Medical Executive Committee or Chair Elect  
USA Children's & Women's Hospital

  
Anthony M. Martino, M.D., Chair of Medical Executive Committee or Chair Elect  
USA Medical Center

  
Stanley K. Hammack  
Vice President, USA Health Systems

**RESOLUTION**

**USA HOSPITALS MEDICAL STAFF BYLAWS AND RULES AND REGULATIONS  
REVISIONS OF AUGUST 1, 2012**

**WHEREAS**, revisions to USA Hospitals Medical Staff Bylaws and Rules and Regulations, approved at the August 1, 2012, Medical Staff meeting and attached hereto, are recommended for approval by the Medical Staffs and the Executive Committee of the University of South Alabama Hospitals,

**THEREFORE, BE IT RESOLVED** that the Board of Trustees of the University of South Alabama approves the revisions as submitted.

## **Proposed Changes to USA Hospitals Medical Staff Bylaws and Rules and Regulations**

### **Revision Descriptions**

Approved at the USA Hospitals General Medical Staff Meeting on August 1, 2012

RECOMMENDED TO BE EFFECTIVE OCTOBER 1, 2012

### **Medical Staff Bylaws**

- 1) **ARTICLE III – CATEGORIES OF THE MEDICAL STAFF**  
**Sections 3.01-Active, 3.02-Courtesy, 3.03-Consulting, 3.04-Refer and Follow, 3.05-Academic, and 3.06-Honorary.**  
Revised categories of staff to include: courtesy; consulting; refer and follow; academic-faculty; and Honorary  
Defined volumes of expected patient encounters and ramifications if volume not achieved  
Defined role/functions of each category of staff  
Revised the resident staff role to include serving as a voting member of hospital committees when appointed by their department Chair, or the hospital administrator.
- 2) **ARTICLE IV – The ALLIED HEALTH STAFF**  
Revised Affiliate Staff to Allied Health  
Added RN's to the list of those individuals to be included  
Added language to include non-licensed employees (i.e. Optometry technicians)  
Clarified midwife practice
- 3) **ARTICLE V – TEMPORARY STAFF**  
**Section 5.01-Contract, 5.02-Pendency of Application, 5.03-Important Patient Need, 5.04-Disaster**  
Expanded concept to healthcare providers other than physicians  
Clarified Resident/Fellow role as a moonlighter  
Defined role of Contract provider  
Clarified process for Important Patient Need approval  
Temporary Privileges-Disaster
- 4) **ARTICLE VI – GENERAL CONDITIONS OF APPOINTMENT**  
**Section 6.01-Qualifications**  
Clarified review/acceptance for a restricted license provider
- 5) **ARTICLE VII – Emergency Response**  
**Section 7.03 – Temporary Privileges revised title of Emergency Response**
- 6) **ARTICLE VIII – TERMS OF APPOINTMENT**  
**Section 8.01 – Provisional Period**, revised the Conclusion of the Provisional Period and added the Consulting and the Allied Health categories of staff
- 7) **ARTICLE IX – DUES**  
Amended payment of dues (i.e. Fresenius staff, locum tenens)
- 8) **ARTICLE X – APPROVED OBSERVERS**  
Deleted the section on Observers managed by hospital policy
- 9) **ARTICLE XII – APPOINTMENTS**  
**Section 12.01- Request for Privileges**  
Temporary privileges request process  
**Section 12.02 – Submission of Application**  
Application process for "Care of a Specific Patient" and "Refer and Follow"  
Revised Allied Health professional liability coverage for USA RN's, Speech language pathologist; audiologist; clinical psychologists; to \$500,000/\$1,500,000

## **Proposed Changes to USA Hospitals Medical Staff Bylaws and Rules and Regulations**

### **Revision Descriptions**

Approved at the USA Hospitals General Medical Staff Meeting on August 1, 2012

- 10) **ARTICLE XIII – REAPPOINTMENTS**  
**Section 13.03 Decision on Application**  
Revised to include a recommendation from both department chairs when granting privileges in more than one clinical service
- 11) **ARTICLE XIV- PHYSICIAN HEALTH PROGRAM**  
**Section 14.01-Purpose, 14.02-Definition, 14.03-Education, 14.04-Reporting and 14.05-Return to duty**  
Expanded concept to healthcare providers other than physicians
- 12) **ARTICLE XV –CORRECTIVE ACTION**  
**Section 15.01-Corrective Action, 15.02-Summary Suspension, 15.03-Automatic Suspension and 15.04-Extension of time.**  
Expanded concept to healthcare providers other than physicians  
Clarified discrepancy of timeframe between Section 15.03, 3a and Reinstatement of Appointment, A
- 13) **ARTICLE XXI – DEPARTMENTS**  
Added anesthesiology, OB/Gyn, Pediatrics and Psychiatry to the Medical Center department list.
- 14) **ARTICLE XXIV-BYLAWS COMMITTEE**  
**Section 24.01-Meetings, 24.02-Duties and Responsibilities and 24.03-Membership**  
Created a Bylaws Committee
- 15) **ARTICLE XXVII-HOSPITAL COMMITTEES**  
Created an Emergency Care/Evaluation Center Committee for CW
- 16) **ARTICLE XXVIII – HISTORY AND PHYSICAL EXAMINATION**  
**Section 28.01 content and Section 28.04-Special Practitioners**  
Amended requirements and defined exceptions  
Ambulatory requirements  
Discipline-specific History & Physical  
Allowed other non-admitting providers to create H&P
- 17) **ARTICLE XXIX-REVIEW AND AMENDMENTS**  
**Section 29.01-Review and Section 29.02-Amendments**  
Referenced Bylaws Committee

### **Medical Staff Rules and Regulations**

- 1) **1.1.3 Medical Center**  
Added anesthesiology, OB/Gyn, Pediatrics and Psychiatry to the Medical Center department list.
- 2) **3.1.2 Outpatient diagnostic or therapeutic procedures**  
Revised to include licensure and CMS specifications are verified.
- 3) **5.0 Physician Orders**  
**Sections 5.1-5.11**  
Added description of the Computerized Physician Order Entry process to include electronic order set development and approval processes.
- 4) **Section 5.5**  
**5.5 Verbal or telephone orders**  
Revised authentication timeframe for physician orders.

**UNIVERSITY OF SOUTH ALABAMA HOSPITALS**  
**MEDICAL STAFF MEETING**  
**August 1, 2012**

**MINUTES**

The quarterly meeting of the Medical Staff of the University of South Alabama Hospitals was held at the Faculty Clubhouse on Wednesday, August 1, 2012. Stan Hammack, Vice President, for USA Health Systems, called the meeting to order at 7:00 p.m. A roster of attendees is available in the Medical Staff Credentials Office.

Mr. Hammack introduced Ehab Molokhia, M.D., Chair of the Medical Executive Committee for USA Children's and Women's Hospital. Dr. Molokhia presented for approval changes to the USA Hospitals Medical Staff Bylaws and Rules and Regulations to be effective October 1, 2012. After review with no further discussion or questions, motion to approve the changes was made, carried, and approved.

Mr. Hammack introduced Ronald Franks, M.D., Vice President for Health Sciences. Dr. Franks stated that the LCME site visit is scheduled for the first week of September. He introduced David Gremse, M.D., Department of Pediatrics Chairman. Dr. Franks shared details of the plans to build a new facility to house academic offices and the clinics that are currently located at the SHAC. This building will be located on campus near the Children's and Women's Hospital with anticipation of opening in 2½ to 3 years. Dr. Franks stated that the Health System Navigator cards have been sent to all USA employees. A summary was given on the BP Restoration Funding to be used for disaster planning/economy issues and the future impact it will have on Mobile and Baldwin Counties. Allen Perkins, M.D. will chair a committee for Value-Based Reimbursement. Dr. Franks mentioned the additional pediatric physicians joining USA with specialties of Infectious Disease and Nephrology.

On behalf of Alabama Governor Robert Bentley, Dr. Franks and Dr. Bernard Eichold presented a framed declaration and personal flag to Frank S. Pettyjohn, M.D. naming him an "Honorary Admiral" in the Alabama Navy.

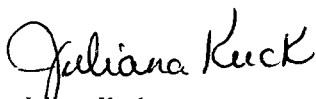
Dr. Franks and Mr. Hammack shared details pertaining to the Alabama Medicaid Amendment, which will appear on the September 18, 2012 special election ballot. The measure would authorize the transfer of millions of dollars from an oil and gas trust fund to the Alabama Medicaid budget. They stressed the importance of getting the vote and alerting employees and students the importance of sustaining the Alabama Medicaid Program.

Mr. Hammack introduced Ms. Beth Anderson, USA Medical Center Administrator. Ms. Anderson gave a summary of activity at USAMC. She reviewed the new equipment purchases to be installed consisting of a MRI in September, the Cath Lab in mid-October, and then the Interventional Radiology Biplane Lab in mid-November. Other hospital improvements mentioned included the near completion of the exterior painting and securing the panels on the outside of the hospital and the planned renovations for the pre/post op area. It was announced that USAMC received the American Heart Association Stroke and Heart Failure Awards and was recognized in the US News & World Report in July. A progress report on the electronic health record's was given which included USA Children's and Women's Hospital implementation of CPOE. Mr. Hammack interjected that our EMR integration is larger than any other hospital in town as we have five systems to integrate. Ms. Anderson also mentioned USAMC had scored in the top 5 in the National Association of Public Hospitals on their Core Measures and HCAHP scores.

Mr. Hammack introduced Mr. Owen Bailey, USA Children's and Women's Hospital Administrator. Mr. Bailey gave a summary of the activity at USACW. He reiterated Ms. Anderson's comments that the CPOE was going very well. Don Ching was introduced as Director of Hospital Financial Systems for USACW. The Community Outreach Program continues to create dialog and relationships with citizens from different walks of life each month. This program led to a \$500,000 donation given by Louis and Melinda Mapp to enhance the facility's Child Life program for young patients. In recognition of their support, the program was renamed the Mapp Child and Family Life Program at USA Children's & Women's Hospital. Four commercials will air featuring David Lewis, M.D., Felicia Wilson, M.D., Maria Figarola, M.D., and David Gremse, M.D. He also gave a report on the USACW expansion stating it is going well with the plan to move into the new building during the first quarter of 2013. Since the building is being completed from the top down, tours will begin to be held for the top two completed floors. Mr. Bailey shared there would be a centerpiece 45 foot tall lighthouse weighing 71,000 lbs with metal light panels mounted that have been signed by employees, patients, and people from our community.

With no further business, the meeting was adjourned at 8:00 p.m.

Respectfully submitted,



Juliana Kuck  
Medical Credentialing Specialist

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**APRIL 30, 2012**

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## Financial Report Highlights April 30, 2012

### Introduction

This Financial Report presents the financial position and financial activity of the University of South Alabama utilizing the fund basis of accounting. The report presents the assets, liabilities and fund balances of each fund including the current funds (unrestricted and restricted), loan funds, endowment funds, and plant funds (renewals and replacements, retirement of indebtedness and investment in plant). The financial reporting requirements of the Governmental Accounting Standards Board, by which the University reports its quarterly financial statements, are not utilized in this monthly financial report.

### Financial Highlights

Financial report highlights at, and for the seven months ended, April 30, 2012 and 2011 are as follows (in thousands):

	At and for the seven months ended	
	4-30-12	4-30-11
<b>Total assets</b>		
Current	\$ 182,546	\$ 194,752
Loan	5,053	5,043
Endowment	138,203	131,867
Plant	695,858	657,064
<b>Fund Balances</b>		
Current	\$ 6,359	\$ 3,562
Loan	522	593
Endowment	108,174	110,239
Plant	323,861	312,531
<b>Other balance sheet highlights</b>		
Cash and investments	\$ 256,281	\$ 261,961
Receivables, primarily patient care	119,945	94,544
Bonds payable	355,054	327,341

	For the seven months ended	
	4-30-12	4-30-11
<b>Selected operating highlights (current funds)</b>		
Tuition and fees	\$ 73,127	\$ 67,294
State appropriations	61,679	56,553
Hospital revenues	196,321	172,453
Gifts, grants and contracts	65,127	70,435
Instruction and academic support	80,161	80,869
Research and public service	46,786	47,883
Hospital expenses	202,383	178,296
Net current fund increase (decrease)	\$ 656	\$ (7,308)

### Financial Analysis

This report should be read in conjunction with the University's monthly financial reports and with the understanding of the cyclical nature of the University's operations. Certain revenues (tuition and fees, auxiliary enterprises, etc.) are received at specific times in the University's fiscal year while certain other revenue streams (hospital, state appropriations) are received throughout the year. Additionally, certain revenue and expense items fluctuate with changes in enrollment while others do not. As a result of these items, significant fluctuations of cash and investments along with other balance sheet items are normal.

### Economic Outlook

While enrollment and tuition have increased in recent years, the University has experienced a significant decline in state appropriations. Additionally, the University is subject to the uncertainties of the general economic conditions in the United States and the State of Alabama. Administration is not aware of any other conditions that are expected to have a significant impact on the University's financial position in 2012 or beyond.

ASSETS		2012	2011	LIABILITIES AND FUND BALANCES		2012	2011
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	134,564.84	135,088.90	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	43,406,415.89	54,721,039.66
INVESTMENTS		32,413,458.37	67,820,191.49	DEFERRED REVENUES		40,941,441.24	29,625,638.67
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$51,987,348.90 FOR 2012 AND \$48,576,856.14 FOR 2011)				DUE TO OTHER FUNDS		88,990,489.35	102,002,103.00
DEPOSITS		119,944,699.34	94,544,145.47	DEPOSITS HELD IN CUSTODY		1,395,570.99	530,616.81
INVENTORIES AT COST		35,000.00	35,000.00	OTHER DEPOSITS		500,013.09	839,317.81
PREPAID EXPENSES		5,159,355.07	4,816,309.78	FUND BALANCES:			
		20,533,402.72	21,514,921.75	ALLOCATED FOR:			
				HOSPITALS		(46,587,104.13)	(34,499,830.11)
				AUXILIARY ENTERPRISES		2,580,430.97	1,241,348.17
				ENCUMBRANCES		4,697,925.69	4,595,574.56
				SELF-SUPPORTING ACTIVITIES		54,066,640.41	44,905,112.43
				UNALLOCATED		(11,791,243.16)	(15,295,263.61)
				TOTAL FUND BALANCES		2,985,649.78	946,941.44
TOTAL UNRESTRICTED		178,220,580.34	188,865,657.39	TOTAL UNRESTRICTED		178,220,580.34	188,865,657.39
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		599,107.90	0.00	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		312,221.16	51,707.45
INVESTMENTS		3,999.33	8,731.27	DEFERRED REVENUES		640,603.85	993,442.47
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		3,722,276.93	5,878,030.80	DUE TO OTHER FUNDS		0.00	2,226,880.56
				FUND BALANCES		3,374,559.15	2,614,731.59
TOTAL RESTRICTED		4,325,384.16	5,886,762.07	TOTAL RESTRICTED		4,325,384.16	5,886,762.07
TOTAL CURRENT FUNDS		182,545,964.50	194,752,419.46	TOTAL CURRENT FUNDS		182,545,964.50	194,752,419.46
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		1,186,503.72	1,804,595.61	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		150.00	825.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$446,174.34 FOR 2012 AND \$476,477.39 FOR 2011)				REFUNDABLE GOVERNMENT ADVANCES		4,530,636.86	4,449,746.87
				FUND BALANCES:			
				UNIVERSITY FUNDS, UNRESTRICTED		522,306.66	592,918.93
				TOTAL FUND BALANCES		522,306.66	592,918.93
TOTAL LOAN FUNDS		5,043,093.52	5,043,490.60	TOTAL LOAN FUNDS		5,043,093.52	5,043,490.60
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		38,519,045.68	40,458,199.91	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		23,060,600.00	15,027,400.00
INVESTMENTS		88,311,000.40	81,342,652.27	BONDS PAYABLE		6,968,806.00	6,600,388.00
ACCOUNTS RECEIVABLE		4,634,144.78	5,193,941.57	FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		3,162,768.00	1,338,429.00	RESTRICTED NONEXPENDABLE		31,254,927.31	29,788,244.93
PREPAID-LIFE ESTATE		3,576,482.00	3,533,418.00	UNRESTRICTED EXPENDABLE		76,919,087.55	80,450,607.82
				TOTAL FUND BALANCES		108,174,014.86	110,238,852.75
TOTAL ENDOWMENT FUNDS		138,203,420.86	131,866,640.75	TOTAL ENDOWMENT FUNDS		138,203,420.86	131,866,640.75
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		37,194,202.46	3,866,239.38	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		9,565,951.29	937,924.53
INVESTMENTS		54,755,982.43	65,187,287.49	DEFERRED REVENUES		7,350,522.83	16,227,903.23
ACCOUNTS RECEIVABLE		2,701,039.09	2,366,811.65	OTHER DEPOSITS		25,791.63	25,791.63
NOTES RECEIVABLE		0.00	14,519,581.00	BONDS PAYABLE			

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE SEVEN MONTHS ENDED APRIL 30, 2012

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
	UNRESTRICTED	RESTRICTED					
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	179,082,252.88						
HOSPITALS REVENUES	201,462,848.17						
AUXILIARY ENTERPRISES REVENUES	9,869,253.52						
GRANTS AND CONTRACTS:							
FEDERAL		30,079,192.46					
STATE AND LOCAL		2,589,017.57					
PRIVATE		3,126,137.72					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE			2,864.90	7,413,336.86	221,418.32	53,445.43	
INVESTMENT INCOME/GAINS/LOSS							
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			80,973.10	1,948,509.02	141,027.90	8,556.63	
EXPENDED FOR PLANT FACILITIES (INCLUDING							
\$10,331,720.83 CURRENT FUNDS EXPENDITURES)							36,899,127.72
RETIREMENT OF INDEBTEDNESS							4,785,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS							
OTHER SOURCES		1,624,873.65		3,700.00	5,909,214.60		(283,093.58)
TOTAL REVENUES AND OTHER ADDITIONS	390,414,354.57	37,419,221.40	83,838.00	9,365,545.88	6,271,660.82	62,002.06	41,401,034.14
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	163,322,852.78	34,870,643.97					
HOSPITALS EXPENDITURES	198,684,498.17						
AUXILIARY ENTERPRISES EXPENDITURES	6,930,589.84						
INDIRECT COSTS RECOVERED		2,464,509.92					
REFUNDED TO GRANTORS		244,279.99					
RETIREMENT OF INDEBTEDNESS			8,392.50			4,785,000.00	
ADMINISTRATIVE AND COLLECTION COSTS							
EXPENDED FOR PLANT FACILITIES (INCLUDING					29,161,156.26		
\$2,593,749.37 FOR NON-CAPITALIZED EXPENDITURES)						3,558,710.24	18,737,357.85
INTEREST ON INDEBTEDNESS							
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			(101,750.00)	196,908.83		134,055.29	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	368,937,940.79	37,579,433.88	(93,357.50)	196,908.83	29,161,156.26	8,477,765.53	18,737,357.85
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(13,558,408.46)				58,037.00	13,610,135.37	(109,763.92)
FINANCIAL AID MATCHING							
NON-MANDATORY:							
FUNDED DEPRECIATION	(6,711,554.08)						
MOBILE RACING COMMISSION	(338,381.99)						
PLANT ADDITIONS AND REPLACEMENTS	(4,087,000.00)					77,100.00	
ENDOWMENT FUND	(1,259,062.13)						
OTHER TRANSFERS	3,850,718.18	1,413,913.48		183,530.64	(2,398,892.46)	(231,315.96)	(853,762.04)
TOTAL TRANSFERS	(22,103,688.47)	29,989.51		(396,737.23)			(963,525.96)
NET INCREASE (DECREASE) FOR THE PERIOD	(627,274.69)	1,283,690.51	0.00	8,955,430.46	(14,508,896.82)	5,040,155.94	21,700,150.33
FUND BALANCES AT OCTOBER 1, 2011	3,613,924.47	2,088,868.64	345,111.16	99,218,584.40	64,246,286.12	4,634,676.48	242,748,769.06
FUND BALANCES AT APRIL 30, 2012	\$ 2,986,649.78	\$ 3,372,559.15	\$ 522,306.66	\$ 108,174,014.86	\$ 49,737,369.30	\$ 9,674,832.42	\$ 264,448,919.39

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$6,711,554.08 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

## UNIVERSITY OF SOUTH ALABAMA

MONTH ENDED APRIL 30 2012

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$6,711,554.08 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

**UNIVERSITY OF SOUTH ALABAMA**  
**Notes to Financial Report**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS**

The accompanying financial reports are the responsibility of management of the University of South Alabama. Management is responsible for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising a system of internal control that will, among other things, help assure the production of proper financial statements. The transactions which should be reflected in the accounts and in the financial reports are matters within the direct knowledge and control of management.

**BASIS OF PRESENTATION**

The financial reports of the University of South Alabama (the University) are prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and, (3) transfers of a nonmandatory nature in all other cases.

**FUND ACCOUNTING**

In order to observe limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds restricted by outside sources are so indicated and are distinguished from funds designated for specific purposes by authority of the Board of Trustees.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**UNIVERSITY OF SOUTH ALABAMA**  
**Notes to Financial Report**

**CURRENT FUNDS**

Current fund balances are separated into those which are unrestricted and those which are restricted by donors and grantors. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are under the control of the University to use in achieving its educational purposes.

**PLANT FUNDS**

Plant funds include the transactions related to investment in institutional properties and related indebtedness.

Plant assets consisting of land, buildings, equipment and library books are stated at cost or, if contributed, at fair market value at the time of receipt. Investment in plant is reduced for disposals of plant assets.

Some equipment purchases are made from current funds and are presented under the appropriate functional classification of expenditures, while other additions are funded by transfers from unrestricted current funds to the plant funds. All such expenditures in excess of \$5,000 having a life of two years or more are capitalized as investment in plant.

**INVESTMENT IN POOLED FUNDS**

Investments are stated at cost, except those received by gift which are stated at fair market value at date of receipt. Endowment investments of the University are maintained and administered in a common pool. Separate accounts are maintained for each fund, as applicable. Depositories and other financial institutions that held investments for the University have pledged securities of various governmental agencies to secure funds held on deposit.

**UNRESTRICTED GIFTS**

Except for pledged operating and capital gifts, unrestricted gifts are recognized as revenue when received. Certain operating and capital pledges are recorded as a receivable, along with the corresponding revenue, when such pledges are made.

**GRANTS AND CONTRACTS**

The University has been awarded grants and contracts for current funds operations for which the funds have not been received nor have expenditures been made for the purpose specified in the grant or contract. These awards have not been reflected in the financial reports, but represent commitments of sponsors to provide funds for specific research and training projects.

**UNIVERSITY OF SOUTH ALABAMA**  
Notes to Financial Report

**SCHOLARSHIPS AND FELLOWSHIPS**

The University receives funds which are restricted by donors and grantors for assistance to qualified students. When these funds are granted to students, the University records the expenditure for scholarships and fellowships along with the corresponding revenue.

**INCOME TAXES**

The Internal Revenue Service has determined that the University is a tax-exempt organization; accordingly, no provision for income taxes has been made in the accompanying financial statements.

**DEFERRED REVENUES AND EXPENDITURES**

Dormitory rentals, student tuition and other fees, together with related expenditures, are deferred and amortized over the applicable academic semester.

**EMPLOYEE BENEFITS**

Employees of the University are covered by two pension plans, a defined contribution pension plan and a pension plan administered by the Teachers' Retirement System of the State of Alabama (the Retirement Plan).

The defined contribution pension plan covers certain academic and administrative employees and contributions under this plan are funded as accrued.

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 12.07% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

**LIABILITY INSURANCE**

The University and certain of its affiliates participate in professional and general liability trust funds. These trust funds are irrevocable and use contributions by the University and its affiliates, together with earnings thereon, to pay liabilities arising from the performance of its employees. Contributions to the trusts are recorded as expenditures upon payment and are determined by independent actuaries. If the trust funds are ever terminated, appropriate provision for payment of reported claims will be made and any remaining balance will be distributed to the University and its affiliates in proportion to contributions made.

**UNIVERSITY OF SOUTH ALABAMA**  
**Notes to Financial Report**

**BONDS PAYABLE**

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

**LITIGATION**

Various other claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion that the resolution of these matters will not have a material effect on the financial position or results of operations of the University.

**MEDICAID DISPROPORTIONATE SHARE PAYMENTS**

Hospitals revenues include funds received from the Alabama Medicaid Agency for services provided to a disproportionately high number of low income patients.



## **SUPPLEMENTAL SCHEDULES**

**SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES  
REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE SEVEN MONTHS ENDED APRIL 30, 2012  
WITH COMPARATIVE FIGURES FOR 2011**

	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>TRANSFERS</u>	<u>EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)</u>	
				<u>04/30/12</u>	<u>04/30/11</u>
BOOKSTORE	\$ 3,794,687.90	\$ 3,733,443.32	\$ (137,977.00)	\$ (76,732.42)	\$ 130,485.99
BROOKLEY CENTER	0.00	0.00	0.00	0.00	(814,263.69)
FOOD SERVICES-CAMPUS	622,558.91	166,824.48	(514,349.41)	(58,614.98)	(48,578.04)
HOUSING	5,452,006.71	3,030,322.04	(2,039,555.00)	382,129.67	(5,904.94)
TOTAL	<u>\$ 9,869,253.52</u>	<u>\$ 6,930,589.84</u>	<u>\$ (2,691,881.41)</u>	<u>\$ 246,782.27</u>	<u>\$ (738,260.68)</u>

**BOOKSTORE**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE SEVEN MONTHS ENDED APRIL 30, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	04/30/12	04/30/11
<b>REVENUES:</b>		
SALES	\$ 3,687,141.17	\$ 3,508,413.63
LESS: DEPARTMENTAL DISCOUNTS	3,568.94	2,747.22
COST OF GOODS SOLD	2,676,427.42	2,472,400.71
GROSS PROFIT	1,007,144.81	1,033,265.70
CASH OVER/(SHORT)	(1,423.14)	(45.11)
GRADUATION (NET)	83,715.15	71,078.50
BAD DEBT RECOVERY	0.00	0.00
OTHER	25,254.72	24,055.97
NET REVENUES:	<u>1,114,691.54</u>	<u>1,128,355.06</u>
<b>EXPENDITURES:</b>		
SALARIES	457,897.66	435,785.36
EMPLOYEE BENEFITS	139,193.93	143,517.28
SUPPLIES	12,896.44	9,271.09
TRAVEL	8,622.39	2,223.11
EQUIPMENT	11,032.77	3,653.52
EQUIPMENT MAINTENANCE AND REPAIR	32,102.56	36,318.64
BUILDING & EQUIPMENT RENTAL	14,291.50	14,368.15
ADVERTISING	17,520.56	21,676.37
UTILITIES	43,750.00	43,750.00
TELEPHONE	13,026.52	6,409.21
INSURANCE AND BONDS	3,997.00	3,800.00
CONTRACT SERVICES	95,176.69	65,246.84
BAD DEBT EXPENSE	0.00	0.00
RENT	1,554.00	0.00
OBSOLETE INVENTORY	403.90	0.00
GENERAL EXPENSES	24,468.24	25,701.21
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	40,865.24	14,936.48
INSTITUTIONAL COST ALLOCATION	136,647.56	171,211.81
TOTAL EXPENDITURES	<u>1,053,446.96</u>	<u>997,869.07</u>
<b>TRANSFERS AMONG FUNDS-</b>		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(137,977.00)	0.00
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>(137,977.00)</u>	<u>0.00</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>		
<b>AND MANDATORY TRANSFERS</b>	<u>\$ (76,732.42)</u>	<u>\$ 130,485.99</u>

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE SEVEN MONTHS ENDED APRIL 30, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	FOOD SERVICE	TOTAL AUXILIARY SERVICES
<b>REVENUES:</b>					
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00
FEES	0.00	0.00	0.00	0.00	0.00
RENTALS	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00
<b>EXPENDITURES:</b>					
OPERATING EXPENDITURES:					
SALARIES	0.00	0.00	0.00	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00
SUPPLIES	0.00	0.00	0.00	0.00	0.00
TRAVEL	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00
UTILITIES	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00
TELEPHONE	0.00	0.00	0.00	0.00	0.00
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	0.00
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER EXPENDITURES	0.00	0.00	0.00	0.00	0.00
<b>OTHER EXPENDITURES:</b>					
EQUIPMENT	0.00	0.00	0.00	0.00	0.00
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	0.00	0.00	0.00	0.00	0.00
TRANSFERS AMONG FUNDS -					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:					
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
EXPENDITURES (DEFICIT)					

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE SEVEN MONTHS ENDED APRIL 30, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 04/30/12	BROOKLEY CENTER TOTAL 04/30/11
<b>REVENUES:</b>						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,005.63
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00	2,100.43
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00	2,905.20
FEES	0.00	0.00	0.00	0.00	0.00	192,672.58
RENTALS	0.00	0.00	0.00	0.00	0.00	16,703.16
OTHER	0.00	0.00	0.00	0.00	0.00	16,874.31
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	0.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00	229,155.25
<b>EXPENDITURES:</b>						
OPERATING EXPENDITURES:						
SALARIES	0.00	0.00	0.00	0.00	0.00	212,603.45
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00	60,094.87
SUPPLIES	0.00	0.00	0.00	0.00	0.00	2,190.16
TRAVEL	0.00	0.00	0.00	0.00	0.00	750.26
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00	86,208.33
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	13,050.44
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00	11,422.52
UTILITIES	0.00	0.00	0.00	0.00	0.00	311,785.42
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	6,706.85
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00	97,630.98
TELEPHONE	0.00	0.00	0.00	0.00	0.00	8,772.25
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00	46,034.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00	1,144.78
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	0.00	184,493.38
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	0.00	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER EXPENDITURES	0.00	0.00	0.00	0.00	0.00	1,042,867.69
OTHER EXPENDITURES:						(813,712.44)
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	551.25
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	0.00	0.00	0.00	0.00	0.00	551.25
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (814,263.69)
EXPENDITURES (DEFICIT)						

**FOOD SERVICE**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE SEVEN MONTHS ENDED APRIL 30, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	<u>04/30/12</u>	<u>04/30/11</u>
<b>REVENUES:</b>		
COMMISSION INCOME	\$ 622,558.91	\$ 459,194.80
<b>TOTAL REVENUES</b>	<u>622,558.91</u>	<u>459,194.80</u>
<b>EXPENDITURES:</b>		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	84.34	6.22
EQUIPMENT MAINTENANCE AND REPAIR	35,539.63	14,482.58
UTILITIES	72,916.69	58,333.31
TELEPHONE	329.08	(16.72)
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	19,024.25	7,414.38
INSURANCE AND BONDS	9,537.00	8,505.00
EQUIPMENT	1,739.97	2,795.87
BUILDING MAINTENANCE AND REPAIR	2,905.00	2,051.50
INDIRECT COST	14,583.31	14,583.31
GENERAL EXPENSE	<u>10,165.21</u>	<u>5,266.50</u>
<b>TOTAL EXPENDITURES</b>	<u>166,824.48</u>	<u>113,421.95</u>
<b>TRANSFERS AMONG FUNDS-</b>		
ADDITIONS/(DEDUCTIONS):		
NON-MANDATORY:	(394,349.41)	(394,350.89)
OTHER TRANSFERS	<u>(120,000.00)</u>	
<b>TOTAL TRANSFERS</b>	<u>(514,349.41)</u>	<u>(394,350.89)</u>
<b>EXCESS REVENUES OVER</b>		
<b>EXPENDITURES AND MANDATORY</b>		
<b>TRANSFERS (DEFICIT)</b>	<u>\$ (58,614.98)</u>	<u>\$ (48,578.04)</u>

HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE SEVEN MONTHS ENDED APRIL 30, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 126,275.00	\$ 580.00	\$ 1,078,372.05	\$ 28,022.10	\$ 284,859.21
BAD DEBT RECOVERY	2,090.00	0.00	0.00	0.00	0.00	999.68	0.00
OTHER	41,958.00	0.00	0.00	0.00	9,288.74	1,050.00	58,469.50
TOTAL REVENUES	<u>44,048.00</u>	<u>0.00</u>	<u>126,275.00</u>	<u>580.00</u>	<u>1,087,660.79</u>	<u>30,071.78</u>	<u>343,328.71</u>
EXPENDITURES:							
SALARIES	204,822.69	1,136.80	0.00	116.00	57,467.61	0.00	33,379.65
EMPLOYEE BENEFITS	58,241.71	0.00	0.00	0.00	3,587.14	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	555.32	0.00	66,674.00	0.00	383.75	0.00	0.00
TRAVEL	3,394.51	910.80	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	1,142.63	4,818.64	0.00	0.00	283.50	(157.92)	0.00
SUPPLIES	18,491.86	4,158.13	0.00	0.00	16,027.14	0.00	247.43
CABLE	120,643.20	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	518.35	0.00	0.00	0.00	25.46	0.00	170.27
UTILITIES	0.00	0.00	0.00	0.00	0.00	(118.50)	920.09
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	9,059.00	786.00	6,310.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	142.29	1,119.04	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	839.55	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	814.45	0.00	0.00	0.00	170.00	0.00	0.00
GENERAL EXPENSES	62,354.76	4,458.89	0.00	0.00	68,029.95	410.38	61,111.80
ADMINISTRATIVE OVERHEAD	252,246.75	0.00	0.00	0.00	141,816.50	0.00	47,657.75
ADMINISTRATIVE EXPENSES	(680,892.07)	(16,602.30)	22,319.82	0.00	106,716.64	0.00	56,497.04
TOTAL EXPENDITURES	<u>44,048.00</u>	<u>0.00</u>	<u>88,993.82</u>	<u>116.00</u>	<u>403,566.69</u>	<u>919.96</u>	<u>206,294.03</u>
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(1,078,028.00)	0.00	(268,660.00)
TOTAL MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(1,078,028.00)</u>	<u>0.00</u>	<u>(268,660.00)</u>
NON-MANDATORY:							
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(1,078,028.00)</u>	<u>0.00</u>	<u>(268,660.00)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 37,281.18	\$ 464.00	\$ (393,933.90)	\$ 29,151.82	\$ (131,625.32)
AND TRANSFERS (DEFICIT)							

HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE SEVEN MONTHS ENDED APRIL 30, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 04/30/12	TOTAL HOUSING 04/30/11
REVENUES:						
RENTAL INCOME	\$ 807,915.60	\$ 451,479.74	\$ 1,872,312.17	\$ 660,120.79	\$ 5,309,936.66	\$ 3,880,883.37
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	3,089.68	1,681.96
OTHER	4,194.00	5,279.00	11,837.13	6,904.00	138,980.37	86,883.51
TOTAL REVENUES	<u>812,109.60</u>	<u>456,758.74</u>	<u>1,884,149.30</u>	<u>667,024.79</u>	<u>5,452,006.71</u>	<u>3,969,448.84</u>
EXPENDITURES:						
SALARIES	62,715.60	21,966.33	125,752.34	53,812.52	561,169.54	454,806.88
EMPLOYEE BENEFITS	10,708.38	0.00	16,312.08	2,362.91	91,212.22	93,973.00
CONTRACT LABOR	804.01	0.00	2,071.70	4,534.00	7,409.71	3,492.96
CONTRACT SERVICES	0.00	0.00	59.25	988.00	68,660.32	67,598.89
TRAVEL	0.00	0.00	0.00	0.00	4,305.31	3,876.90
RECEPTIONS	0.00	0.00	0.00	0.00	6,086.85	6,067.39
SUPPLIES	0.00	0.00	903.74	322.10	40,150.40	108,505.37
CABLE	0.00	0.00	0.00	0.00	120,643.20	105,157.69
TELEPHONE	40.32	162.16	405.26	256.95	1,578.77	146,568.81
UTILITIES	0.00	0.00	0.00	0.00	801.59	5,753.88
INSURANCE AND BONDS	9,409.00	4,530.00	16,017.00	5,726.00	52,569.00	38,850.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	(500.00)
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	358.00
EQUIPMENT	6,961.70	0.00	0.00	0.00	8,223.03	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	839.55	704.39
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	984.45	270.00
GENERAL EXPENSES	94,835.35	59,708.97	251,697.99	102,921.28	705,529.37	734,720.11
ADMINISTRATIVE OVERHEAD	270,848.41	127,865.50	389,682.16	130,041.66	1,360,158.73	1,233,878.73
ADMINISTRATIVE EXPENSES	115,086.57	64,866.97	249,005.49	83,001.84	0.00	0.00
TOTAL EXPENDITURES	<u>571,409.34</u>	<u>279,099.93</u>	<u>1,051,907.01</u>	<u>383,967.26</u>	<u>3,030,322.04</u>	<u>3,004,083.00</u>
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(134,008.00)	(40,040.00)	(301,301.00)	(217,518.00)	(2,039,555.00)	(971,270.78)
TOTAL MANDATORY TRANSFERS	<u>(134,008.00)</u>	<u>(40,040.00)</u>	<u>(301,301.00)</u>	<u>(217,518.00)</u>	<u>(2,039,555.00)</u>	<u>(971,270.78)</u>
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(134,008.00)</u>	<u>(40,040.00)</u>	<u>(301,301.00)</u>	<u>(217,518.00)</u>	<u>(2,039,555.00)</u>	<u>(971,270.78)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 106,692.26	\$ 137,618.81	\$ 530,941.29	\$ 65,539.53	\$ 382,129.67	\$ (5,904.94)
AND TRANSFERS (DEFICIT)						



# **INDEX** **MAY 31, 2012**

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# Financial Report Highlights

## May 31, 2012

### Introduction

This Financial Report presents the financial position and financial activity of the University of South Alabama utilizing the fund basis of accounting. The report presents the assets, liabilities and fund balances of each fund including the current funds (unrestricted and restricted), loan funds, endowment funds, and plant funds (renewals and replacements, retirement of indebtedness and investment in plant). The financial reporting requirements of the Governmental Accounting Standard Board, by which the University reports its quarterly financial statements, are not utilized in this monthly financial report.

### Financial Highlights

Financial report highlights at, and for the eight months ended, May 31, 2012 and 2011 are as follows (in thousands):

	At and for the eight months ended	
	5-31-12	5-31-11
<b>Total assets</b>		
Current	\$ 152,358	\$ 191,435
Loan	5,062	5,052
Endowment	138,173	134,010
Plant	669,348	657,973
<b>Fund Balances(deficits)</b>		
Current	\$ 2,084	\$ (87)
Loan	532	602
Endowment	108,144	112,382
Plant	323,861	312,781
<b>Other balance sheet highlights</b>		
Cash and investments	\$ 243,711	\$ 256,542
Accounts receivable, net	103,029	89,450
Bonds payable	355,054	327,341

	For the eight months ended	
	5-31-12	5-31-11
<b>Selected operating highlights (current funds)</b>		
Tuition and fees	\$ 82,247	\$ 75,564
State appropriations	70,462	64,633
Hospital revenues	224,204	197,124
Gifts, grants and contracts	72,812	81,196
Instruction and academic support	92,493	92,102
Research and public service	52,737	54,312
Hospital expenses	233,376	205,533
Net current fund decrease	\$ (3,619)	(10,956)

### Financial Analysis

This report should be read in conjunction with the University's monthly financial reports and with the understanding of the cyclical nature of the University's operations. Certain revenues (tuition and fees, auxiliary enterprises, etc.) are received at specific times in the University's fiscal year while certain other revenue streams (hospital, state appropriations) are received throughout the year. Additionally, certain revenue and expense items fluctuate with changes in enrollment while others do not. As a result of these items, significant fluctuations of cash and investments along with other balance sheet items are normal.

### Economic Outlook

While enrollment and tuition have increased in recent years, the University has experienced a significant decline in state appropriations. Additionally, the University is subject to the uncertainties of the general economic conditions in the United States and the State of Alabama. Administration is not aware of any other conditions that are expected to have a significant impact on the University's financial position in 2012 or beyond.

UNIVERSITY OF SOUTH ALABAMA  
BALANCE SHEET  
MAY 2012 AND 2011

ASSETS		2012	2011	LIABILITIES AND FUND BALANCES		2012	2011
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	135,274.45	135,418.90	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	52,720,621.78	54,333,955.51
INVESTMENTS		20,436,363.09	67,756,935.64	DEFERRED REVENUES		33,041,015.30	23,513,546.82
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$55,311,555.84 FOR 2012 AND \$50,299,147.76 FOR 2011)				DUE TO OTHER FUNDS		62,465,146.19	107,268,946.78
DEPOSITS		103,028,519.89	89,450,277.99	DEPOSITS HELD IN CUSTODY		1,316,073.88	1,002,508.00
INVENTORIES AT COST		35,000.00	35,000.00	OTHER DEPOSITS		479,104.29	556,230.67
PREPAID EXPENSES		5,212,416.16	4,757,048.56	FUND BALANCES:			
		20,161,830.24	22,054,545.65	ALLOCATED FOR:			
				HOSPITALS	(50,203,173.11)		(37,174,081.17)
				AUXILIARY ENTERPRISES	2,921,409.51		1,305,711.28
				ENCUMBRANCES	4,573,356.67		4,194,319.20
				SELF-SUPPORTING ACTIVITIES	56,645,724.77		45,999,594.29
				UNALLOCATED	(14,949,875.45)		(16,809,504.64)
				TOTAL FUND BALANCES	(1,012,557.61)		(2,483,961.04)
				TOTAL UNRESTRICTED	149,009,403.83		164,191,226.74
TOTAL UNRESTRICTED		149,009,403.83	164,191,226.74				
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		0.00	0.00	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		34,161.01	126,328.72
INVESTMENTS		3,999.33	8,731.27	DEFERRED REVENUES		201,921.64	1,220,898.39
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		3,344,229.97	7,145,275.52	DUE TO OTHER FUNDS		15,348.99	3,409,641.65
				FUND BALANCES		3,096,797.66	2,397,138.03
TOTAL RESTRICTED		3,348,229.30	7,154,006.79	TOTAL RESTRICTED		3,348,229.30	7,154,006.79
TOTAL CURRENT FUNDS		152,357,633.13	191,345,233.53	TOTAL CURRENT FUNDS		152,357,633.13	191,345,233.53
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		1,222,734.16	1,791,514.27	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		0.00	300.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$446,174.34 FOR 2012 AND \$476,477.39 FOR 2011)				REFUNDABLE GOVERNMENT ADVANCES		4,530,636.86	4,449,746.67
				FUND BALANCES:			
				UNIVERSITY FUNDS, UNRESTRICTED		531,703.16	602,432.87
				TOTAL FUND BALANCES		531,703.16	602,432.87
TOTAL LOAN FUNDS		5,062,340.02	5,052,479.54	TOTAL LOAN FUNDS		5,062,340.02	5,052,479.54
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		39,906,770.74	40,679,492.03	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		23,060,600.00	15,027,400.00
INVESTMENTS		86,893,244.41	83,264,366.34	BONDS PAYABLE		6,968,806.00	6,600,388.00
ACCOUNTS RECEIVABLE		4,634,144.78	5,193,941.57	FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		3,162,768.00	1,338,429.00	RESTRICTED NONEXPENDABLE		31,254,927.31	29,788,244.93
PREPAID-LIFE ESTATE		3,576,462.00	3,533,418.00	UNRESTRICTED EXPENDABLE		76,889,056.62	82,593,614.01
				TOTAL FUND BALANCES		108,143,983.93	112,381,858.94
TOTAL ENDOWMENT FUNDS		138,173,389.93	134,009,646.94	TOTAL ENDOWMENT FUNDS		138,173,389.93	134,009,646.94
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		57,869,347.07	-	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		8,265,541.22	1,600,485.76
INVESTMENTS		56,784,194.88	61,565,246.53	DEFERRED REVENUES		7,347,708.88	16,224,699.28
ACCOUNTS RECEIVABLE		2,696,652.69	3,607,894.65	OTHER DEPOSITS		25,791.63	25,791.63
NOTES RECEIVABLE		0.00	14,519,581.00	BONDS PAYABLE		355,054,349.36	327,341,248.12
DUE FROM OTHER FUNDS		62,480,495.18	110,678,588.43				
PREPAID EXPENSES		4,513,557.96	4,648,234.30				
CAPITAL LEASE RECEIVABLE		466,769.69	981,466.37				
INVESTMENT IN PLANT:							
LAND		22,056,047.66	21,996,268.29				
LAND IMPROVEMENTS		10,692,318.82	12,092,060.50				
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS		298,822,543.47	250,138,954.48				
OTHER EQUIPMENT, BOOKS AND FILMS		52,145,036.30	58,382,056.97				
CONSTRUCTION IN PROGRESS		123,785,740.87	119,362,488.26				
TOTAL PLANT FUNDS		692,312,704.59	657,972,835.78				
TOTAL ASSETS	\$	987,906,067.67	988,360,199.79	TOTAL LIABILITIES AND FUND BALANCES	\$	987,906,067.67	988,360,199.79

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE EIGHT MONTHS ENDED MAY 31, 2012

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
	UNRESTRICTED	RESTRICTED					
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	202,367,549.45						
HOSPITALS REVENUES	230,079,894.17						
AUXILIARY ENTERPRISES REVENUES	11,676,826.53						
GRANTS AND CONTRACTS:							
FEDERAL		33,208,104.90					
STATE AND LOCAL		3,204,735.81					
PRIVATE		3,493,630.80					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE			93,176.04	7,038,941.43	246,548.04	61,256.53	
INVESTMENT INCOME, GAINS/LOSS							
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE			1,258.46			10,332.15	
GIFTS AND BEQUESTS				2,021,192.88	148,507.87		
EXPENDED FOR PLANT FACILITIES (INCLUDING \$10,331,720.83 CURRENT FUNDS EXPENDITURES)							39,880,232.69
RETIREMENT OF INDEBTEDNESS							4,785,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS		1,918,087.32		3,700.00	6,102,678.52		(323,635.52)
OTHER SOURCES		41,824,558.83		9,063,834.31	6,497,734.43	71,588.68	44,341,597.17
TOTAL REVENUES AND OTHER ADDITIONS	444,124,270.15		94,434.50				
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	187,136,505.21	39,048,692.99					
HOSPITALS EXPENDITURES	229,248,169.17						
AUXILIARY ENTERPRISES EXPENDITURES	8,023,687.28						
INDIRECT COSTS RECOVERED		2,896,717.90					
REFUNDED TO GRANTORS		244,279.99					
RETIREMENT OF INDEBTEDNESS						4,785,000.00	
ADMINISTRATIVE AND COLLECTION COSTS			9,592.50		31,445,006.82		
EXPENDED FOR PLANT FACILITIES (INCLUDING \$1,896,494.96 FOR NON-CAPITALIZED EXPENDITURES)						6,058,710.24	21,409,679.55
INTEREST ON INDEBTEDNESS							
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			(101,750.00)	195,720.82		134,055.29	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	424,408,361.66	42,189,690.88	(92,157.50)	195,720.82	31,445,006.82	10,977,765.53	21,409,679.55
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(15,528,692.40)				66,328.00	15,572,128.32	(109,763.92)
FINANCIAL AID MATCHING							
NON-MANDATORY:							
FUNDED DEPRECIATION	(7,670,347.52)				7,670,347.52		
MOBILE RACING COMMISSION	(356,853.03)				356,853.03		
PLANT ADDITIONS AND REPLACEMENTS	(4,097,000.00)				4,019,900.00	77,100.00	
ENDOWMENT FUND	(1,511,083.72)				(356,853.03)		
OTHER TRANSFERS	4,821,586.10	1,413,913.48		454,023.27	(3,299,928.46)	(231,315.96)	(853,762.04)
TOTAL TRANSFERS	(24,342,390.57)	(40,852.41)	0.00	57,286.04	8,456,647.06	15,417,912.35	(863,525.96)
NET INCREASE (DECREASE) FOR THE PERIOD	(4,628,482.08)	1,007,929.02	186,592.00	8,925,399.53	(16,490,625.33)	4,511,735.51	21,968,391.66
FUND BALANCES AT OCTOBER 1, 2011	3,613,924.47	2,088,868.64	345,111.16	99,218,584.40	64,246,266.12	4,634,676.48	242,748,769.06
FUND BALANCES AT MAY 31, 2012	(1,012,557.61)	3,096,797.66	531,703.16	108,143,983.93	47,755,640.79	9,146,411.99	264,717,160.72

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$7,670,347.52 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE EIGHT MONTHS ENDED MAY 31, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	MONTH ENDED MAY 31, 2012			MAY 31, 2011	
	UNRESTRICTED	RESTRICTED	TOTAL		
<b>REVENUES:</b>					
TUITION AND FEES	\$ 82,247,115.73	\$	\$ 82,247,115.73	\$	75,564,241.55
STATE APPROPRIATIONS	64,585,689.72		64,585,689.72		59,075,202.70
MOBILE RACING COMMISSION	356,853.03		356,853.03		59,254.34
FEDERAL GRANTS AND CONTRACTS	2,435,025.02	30,771,564.46	33,206,589.48		41,814,582.64
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$169,039.56)	293,934.45	2,685,995.70	2,979,934.15		3,531,122.95
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$292,653.32)	33,667,689.53	2,957,656.26	36,625,325.79		35,850,108.40
INVESTMENT INCOME	94,603.17		94,603.17		28,924.14
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	2,410,152.59		2,410,152.59		2,144,896.22
HOSPITALS - SALES AND SERVICES	224,204,038.17		224,204,038.17 *		197,124,325.55
- STATE APPROPRIATIONS	5,875,856.00		5,875,856.00		5,557,342.00
AUXILIARY ENTERPRISES - SALES AND SERVICES	11,676,826.53		11,676,826.53		9,486,925.09
OTHER SOURCES	16,276,496.21	2,633,472.57	18,909,968.78		26,609,537.23
<b>TOTAL CURRENT REVENUES</b>	<b>444,124,270.15</b>	<b>39,048,692.99</b>	<b>483,172,963.14</b>		<b>456,955,462.81</b>
<b>EXPENDITURES AND TRANSFERS:</b>					
<b>EDUCATIONAL AND GENERAL:</b>					
INSTRUCTION	72,844,153.27	5,889,102.18	78,733,255.45		79,408,438.11
RESEARCH	6,280,330.30	7,489,741.55	13,770,071.85		14,495,768.94
PUBLIC SERVICE	36,176,834.75	2,790,230.09	38,967,064.84		39,816,670.75
ACADEMIC SUPPORT	13,756,459.57	2,916.08	13,759,375.65		12,693,522.25
STUDENT SERVICES	19,167,960.70	491,276.58	19,659,237.28		17,422,375.03
INSTITUTIONAL SUPPORT	17,276,932.70	1,074,462.93	18,351,395.63		17,592,670.82
OPERATION AND MAINTENANCE OF PLANT	15,341,501.93	9,770,262.07	25,111,764.00		25,589,565.65
SCHOLARSHIPS	6,292,331.99	10,762,981.11	17,055,313.10		18,567,568.69
EDUCATIONAL AND GENERAL	187,136,505.21	38,270,972.59	225,407,477.80		225,596,580.24
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	9,238,376.04		9,238,376.04		9,511,002.68
FINANCIAL AID MATCHING	0.00		0.00		95,623.33
<b>TOTAL EDUCATIONAL AND GENERAL</b>	<b>196,374,881.25</b>	<b>38,270,972.59</b>	<b>234,645,853.84</b>		<b>235,201,206.25</b>
<b>HOSPITALS (INCLUDING DEBT SERVICE OF \$3,351,023.32)</b>	<b>232,595,192.49</b>	<b>777,720.40</b>	<b>233,376,912.89</b>		<b>205,533,317.35</b>
<b>AUXILIARY ENTERPRISES:</b>					
EXPENDITURES	8,023,687.28		8,023,687.28		8,614,507.50
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	2,939,293.04		2,939,293.04		1,559,315.16
NON-MANDATORY TRANSFERS FOR:					
RENEWALS AND REPLACEMENTS	120,000.00		120,000.00		0.00
<b>TOTAL AUXILIARIES</b>	<b>11,082,980.32</b>	<b>0.00</b>	<b>11,082,980.32</b>		<b>10,170,822.66</b>
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<b>440,057,054.06</b>	<b>39,048,692.99</b>	<b>479,105,747.05</b>		<b>450,905,346.26</b>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>					
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		(120,852.06)	(120,852.06)		173,241.16
REFUNDED TO GRANTORS		(244,279.99)	(244,279.99)		(9,226.57)
FUNDED DEPRECIATION	(7,670,347.52)		(7,670,347.52) *		(3,133,333.60)
MOBILE RACING COMMISSION	(356,853.03)		(356,853.03)		(59,254.34)
PLANT ADDITIONS AND REPLACEMENTS	(3,977,000.00)		(3,977,000.00)		(13,852,093.00)
ENDOWMENT FUND	(1,511,083.72)	1,413,913.48	(97,170.24)		(905,385.19)
OTHER TRANSFERS	4,821,586.10	(40,852.41)	4,780,733.69		879,660.34
<b>TOTAL TRANSFERS</b>	<b>(8,693,698.17)</b>	<b>1,007,925.02</b>	<b>(7,685,763.15)</b>		<b>(16,906,371.20)</b>
<b>NET INCREASE/(DECREASE) IN FUND BALANCES</b>	<b>\$ (4,526,482.09)</b>	<b>\$ 1,007,925.02</b>	<b>\$ (3,618,553.06)</b>	<b>\$</b>	<b>(10,956,254.65)</b>

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$7,670,347.52 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

**UNIVERSITY OF SOUTH ALABAMA**  
**Notes to Financial Report**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS**

The accompanying financial reports are the responsibility of management of the University of South Alabama. Management is responsible for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising a system of internal control that will, among other things, help assure the production of proper financial statements. The transactions which should be reflected in the accounts and in the financial reports are matters within the direct knowledge and control of management.

**BASIS OF PRESENTATION**

The financial reports of the University of South Alabama (the University) are prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and, (3) transfers of a nonmandatory nature in all other cases.

**FUND ACCOUNTING**

In order to observe limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds restricted by outside sources are so indicated and are distinguished from funds designated for specific purposes by authority of the Board of Trustees.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**UNIVERSITY OF SOUTH ALABAMA**  
**Notes to Financial Report**

**CURRENT FUNDS**

Current fund balances are separated into those which are unrestricted and those which are restricted by donors and grantors. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are under the control of the University to use in achieving its educational purposes.

**PLANT FUNDS**

Plant funds include the transactions related to investment in institutional properties and related indebtedness.

Plant assets consisting of land, buildings, equipment and library books are stated at cost or, if contributed, at fair market value at the time of receipt. Investment in plant is reduced for disposals of plant assets.

Some equipment purchases are made from current funds and are presented under the appropriate functional classification of expenditures, while other additions are funded by transfers from unrestricted current funds to the plant funds. All such expenditures in excess of \$5,000 having a life of two years or more are capitalized as investment in plant.

**INVESTMENT IN POOLED FUNDS**

Investments are stated at cost, except those received by gift which are stated at fair market value at date of receipt. Endowment investments of the University are maintained and administered in a common pool. Separate accounts are maintained for each fund, as applicable. Depositories and other financial institutions that held investments for the University have pledged securities of various governmental agencies to secure funds held on deposit.

**UNRESTRICTED GIFTS**

Except for pledged operating and capital gifts, unrestricted gifts are recognized as revenue when received. Certain operating and capital pledges are recorded as a receivable, along with the corresponding revenue, when such pledges are made.

**GRANTS AND CONTRACTS**

The University has been awarded grants and contracts for current funds operations for which the funds have not been received nor have expenditures been made for the purpose specified in the grant or contract. These awards have not been reflected in the financial reports, but represent commitments of sponsors to provide funds for specific research and training projects.

**UNIVERSITY OF SOUTH ALABAMA**  
**Notes to Financial Report**

**SCHOLARSHIPS AND FELLOWSHIPS**

The University receives funds which are restricted by donors and grantors for assistance to qualified students. When these funds are granted to students, the University records the expenditure for scholarships and fellowships along with the corresponding revenue.

**INCOME TAXES**

The Internal Revenue Service has determined that the University is a tax-exempt organization; accordingly, no provision for income taxes has been made in the accompanying financial statements.

**DEFERRED REVENUES AND EXPENDITURES**

Dormitory rentals, student tuition and other fees, together with related expenditures, are deferred and amortized over the applicable academic semester.

**EMPLOYEE BENEFITS**

Employees of the University are covered by two pension plans, a defined contribution pension plan and a pension plan administered by the Teachers' Retirement System of the State of Alabama (the Retirement Plan).

The defined contribution pension plan covers certain academic and administrative employees and contributions under this plan are funded as accrued.

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 12.07% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

**LIABILITY INSURANCE**

The University and certain of its affiliates participate in professional and general liability trust funds. These trust funds are irrevocable and use contributions by the University and its affiliates, together with earnings thereon, to pay liabilities arising from the performance of its employees. Contributions to the trusts are recorded as expenditures upon payment and are determined by independent actuaries. If the trust funds are ever terminated, appropriate provision for payment of reported claims will be made and any remaining balance will be distributed to the University and its affiliates in proportion to contributions made.



**UNIVERSITY OF SOUTH ALABAMA**  
**Notes to Financial Report**

**BONDS PAYABLE**

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

**LITIGATION**

Various other claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion that the resolution of these matters will not have a material effect on the financial position or results of operations of the University.

**MEDICAID DISPROPORTIONATE SHARE PAYMENTS**

Hospitals revenues include funds received from the Alabama Medicaid Agency for services provided to a disproportionately high number of low income patients.

## **SUPPLEMENTAL SCHEDULES**

SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES  
REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE EIGHT MONTHS ENDED MAY 31, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				05/31/12	05/31/11
BOOKSTORE	\$ 4,445,376.94	\$ 4,366,724.06	\$ (157,688.00)	\$ (79,035.12)	\$ 151,658.97
BROOKLEY CENTER	0.00	0.00	0.00	0.00	(871,123.16)
FOOD SERVICES-CAMPUS	685,613.31	184,448.81	(570,685.04)	(69,520.54)	(72,531.14)
HOUSING	6,545,836.28	3,478,599.81	(2,330,920.00)	736,316.47	118,097.76
TOTAL	<u>\$ 11,676,826.53</u>	<u>\$ 8,029,772.68</u>	<u>\$ (3,059,293.04)</u>	<u>\$ 587,760.81</u>	<u>\$ (673,897.57)</u>

**BOOKSTORE**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE EIGHT MONTHS ENDED MAY 31, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	05/31/12	05/31/11
<b>REVENUES:</b>		
SALES	\$ 4,355,287.39	\$ 4,116,576.54
LESS: DEPARTMENTAL DISCOUNTS	4,232.57	3,163.91
COST OF GOODS SOLD	3,168,868.70	2,921,554.72
GROSS PROFIT	1,182,186.12	1,191,857.91
CASH OVER/(SHORT)	(1,464.10)	(84.11)
GRADUATION (NET)	56,698.15	72,023.50
TEXTBOOK RENTAL INCOME	2,897.20	0.00
OTHER	31,958.30	29,588.80
NET REVENUES:	<u>1,272,275.67</u>	<u>1,293,386.10</u>
<b>EXPENDITURES:</b>		
SALARIES	524,068.26	496,499.13
EMPLOYEE BENEFITS	162,111.81	167,242.63
SUPPLIES	14,101.32	10,977.52
TRAVEL	8,622.39	2,241.59
EQUIPMENT	11,171.97	4,115.02
EQUIPMENT MAINTENANCE AND REPAIR	32,105.56	46,817.75
BUILDING & EQUIPMENT RENTAL	14,896.51	15,133.68
ADVERTISING	18,121.81	24,667.25
UTILITIES	50,000.00	50,000.00
TELEPHONE	13,417.35	7,162.93
INSURANCE AND BONDS	3,997.00	3,800.00
CONTRACT SERVICES	108,681.33	72,758.32
BAD DEBT EXPENSE	0.00	0.00
RENT	2,331.00	0.00
OBSOLETE INVENTORY	403.90	0.00
GENERAL EXPENSES	29,538.98	27,522.86
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	43,884.96	17,117.81
INSTITUTIONAL COST ALLOCATION	156,168.64	195,670.64
TOTAL EXPENDITURES	<u>1,193,622.79</u>	<u>1,141,727.13</u>
<b>TRANSFERS AMONG FUNDS-</b>		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(157,688.00)	0.00
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>(157,688.00)</u>	<u>0.00</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>		
<b>AND MANDATORY TRANSFERS</b>	<u>\$ (79,035.12)</u>	<u>\$ 151,658.97</u>

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE EIGHT MONTHS ENDED MAY 31, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	FOOD SERVICE	TOTAL AUXILIARY SERVICES
<b>REVENUES:</b>					
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00
FEES	0.00	0.00	0.00	0.00	0.00
RENTALS	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00
<b>EXPENDITURES:</b>					
OPERATING EXPENDITURES:					
SALARIES	0.00	0.00	0.00	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00
SUPPLIES	0.00	0.00	0.00	0.00	0.00
TRAVEL	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00
UTILITIES	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00
TELEPHONE	0.00	0.00	0.00	0.00	0.00
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	0.00
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER EXPENDITURES	0.00	0.00	0.00	0.00	0.00
<b>OTHER EXPENDITURES:</b>					
EQUIPMENT	0.00	0.00	0.00	0.00	0.00
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	0.00	0.00	0.00	0.00	0.00
TRANSFERS AMONG FUNDS -					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:					
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
EXPENDITURES (DEFICIT)					

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE EIGHT MONTHS ENDED MAY 31, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 05/31/12	BROOKLEY CENTER TOTAL 05/31/11
<b>REVENUES:</b>						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,005.63
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00	2,100.43
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00	2,905.20
FEES	0.00	0.00	0.00	0.00	0.00	192,672.58
RENTALS	0.00	0.00	0.00	0.00	0.00	16,753.16
OTHER	0.00	0.00	0.00	0.00	0.00	16,879.31
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	0.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00	229,210.25
<b>EXPENDITURES:</b>						
OPERATING EXPENDITURES:						
SALARIES	0.00	0.00	0.00	0.00	0.00	218,530.45
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00	60,094.87
SUPPLIES	0.00	0.00	0.00	0.00	0.00	2,487.56
TRAVEL	0.00	0.00	0.00	0.00	0.00	890.00
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00	87,290.58
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	13,115.44
GROUNDS MAINTENANCE	0.00	0.00	0.00	0.00	0.00	11,422.52
UTILITIES	0.00	0.00	0.00	0.00	0.00	335,383.87
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	6,706.85
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00	97,829.20
TELEPHONE	0.00	0.00	0.00	0.00	0.00	9,938.60
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00	46,034.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00	1,144.78
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	208,913.64
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	0.00	0.00	0.00	0.00	0.00	1,099,782.16
EXCESS REVENUES OVER EXPENDITURES	0.00	0.00	0.00	0.00	0.00	(870,571.91)
OTHER EXPENDITURES:						
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	551.25
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	0.00	0.00	0.00	0.00	0.00	551.25
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER						
EXPENDITURES (DEFICIT)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (871,123.16)

**FOOD SERVICE**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE EIGHT MONTHS ENDED MAY 31, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	<u>05/31/12</u>	<u>05/31/11</u>
<b>REVENUES:</b>		
COMMISSION INCOME	\$ 685,613.31	\$ 509,301.75
<b>TOTAL REVENUES</b>	<u>685,613.31</u>	<u>509,301.75</u>
<b>EXPENDITURES:</b>		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	105.19	0.00
EQUIPMENT MAINTENANCE AND REPAIR	36,116.17	16,353.64
UTILITIES	83,333.36	66,666.64
TELEPHONE	315.52	(11.68)
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	23,373.50	11,563.88
INSURANCE AND BONDS	9,537.00	8,505.00
EQUIPMENT	1,739.97	2,795.87
BUILDING MAINTENANCE AND REPAIR	2,905.00	2,641.50
INDIRECT COST	16,666.64	16,666.64
GENERAL EXPENSE	<u>10,356.46</u>	<u>5,964.88</u>
<b>TOTAL EXPENDITURES</b>	<u>184,448.81</u>	<u>131,146.37</u>
<b>TRANSFERS AMONG FUNDS</b>		
ADDITIONS/(DEDUCTIONS):		
NON-MANDATORY:	(450,685.04)	(450,686.52)
OTHER TRANSFERS	<u>(120,000.00)</u>	<u>0.00</u>
<b>TOTAL TRANSFERS</b>	<u>(570,685.04)</u>	<u>(450,686.52)</u>
<b>EXCESS REVENUES OVER</b>		
<b>EXPENDITURES AND MANDATORY</b>		
<b>TRANSFERS (DEFICIT)</b>	<u>\$ (69,520.54)</u>	<u>\$ (72,531.14)</u>

**HOUSING**  
**STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES**  
**FOR THE EIGHT MONTHS ENDED MAY 31, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
<b>REVENUES:</b>							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 126,275.00	\$ 580.00	\$ 1,238,753.22	\$ 31,927.10	\$ 330,275.23
BAD DEBT RECOVERY	2,090.00	0.00	0.00	0.00	0.00	1,010.19	0.00
OTHER	51,858.00	0.00	0.00	0.00	9,643.74	1,175.00	58,874.50
<b>TOTAL REVENUES</b>	<b>53,948.00</b>	<b>0.00</b>	<b>126,275.00</b>	<b>580.00</b>	<b>1,248,396.96</b>	<b>34,112.29</b>	<b>389,149.73</b>
<b>EXPENDITURES:</b>							
SALARIES	234,734.05	1,438.40	0.00	1,587.75	61,402.02	0.00	33,160.15
EMPLOYEE BENEFITS	66,356.93	0.00	0.00	0.00	4,222.97	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	627.32	0.00	66,674.00	0.00	383.75	0.00	0.00
TRAVEL	4,486.49	2,841.00	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	1,067.82	5,714.77	0.00	8.46	283.50	0.00	0.00
SUPPLIES	21,276.18	4,241.01	0.00	564.58	16,229.54	(157.92)	247.43
CABLE	120,643.20	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	539.55	0.00	0.00	0.00	50.34	0.00	197.08
UTILITIES	0.00	0.00	0.00	0.00	0.00	(118.50)	1,082.60
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	9,059.00	786.00	6,310.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	142.29	1,119.04	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	914.55	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	814.45	0.00	0.00	0.00	170.00	0.00	0.00
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	68,238.41	6,181.13	0.00	0.00	79,517.65	1,301.96	75,368.50
ADMINISTRATIVE OVERHEAD	288,282.00	0.00	0.00	0.00	162,076.00	0.00	54,466.00
ADMINISTRATIVE EXPENSES	(754,907.24)	(21,535.35)	24,846.16	0.00	118,795.72	0.00	62,891.85
<b>TOTAL EXPENDITURES</b>	<b>53,948.00</b>	<b>0.00</b>	<b>91,520.16</b>	<b>2,160.79</b>	<b>452,190.49</b>	<b>1,811.54</b>	<b>233,723.61</b>
<b>TRANSFERS AMONG FUNDS -</b>							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(1,232,032.00)	0.00	(307,040.00)
<b>TOTAL MANDATORY TRANSFERS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(1,232,032.00)</b>	<b>0.00</b>	<b>(307,040.00)</b>
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL NON-MANDATORY TRANSFERS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL TRANSFERS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(1,232,032.00)</b>	<b>0.00</b>	<b>(307,040.00)</b>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 34,754.84</b>	<b>\$ (1,580.79)</b>	<b>\$ (435,825.53)</b>	<b>\$ 32,300.75</b>	<b>\$ (151,613.88)</b>
<b>AND TRANSFERS (DEFICIT)</b>							



HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE EIGHT MONTHS ENDED MAY 31, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 05/31/12	TOTAL HOUSING 05/31/11
REVENUES:						
RENTAL INCOME	\$ 1,193,475.60	\$ 555,500.86	\$ 2,151,537.01	\$ 761,234.70	\$ 6,389,558.72	\$ 4,434,891.35
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	3,100.19	1,681.96
OTHER	4,794.00	5,579.00	14,089.13	7,164.00	153,177.37	101,634.62
TOTAL REVENUES	<u>1,198,269.60</u>	<u>561,079.86</u>	<u>2,165,626.14</u>	<u>768,398.70</u>	<u>6,545,836.28</u>	<u>4,538,207.93</u>
EXPENDITURES:						
SALARIES	112,329.21	27,714.56	148,281.47	58,074.18	678,721.79	523,899.59
EMPLOYEE BENEFITS	12,890.60	636.30	20,755.31	2,785.02	107,647.13	107,054.88
CONTRACT LABOR	804.01	0.00	2,071.70	4,534.00	7,409.71	3,492.96
CONTRACT SERVICES	0.00	0.00	59.25	988.00	68,732.32	67,856.89
TRAVEL	0.00	0.00	0.00	0.00	7,327.49	4,292.23
RECEPTIONS	0.00	0.00	0.00	0.00	7,074.55	9,806.71
SUPPLIES	0.00	0.00	1,148.75	479.81	44,029.38	111,363.25
CABLE	0.00	0.00	0.00	0.00	120,643.20	105,157.69
TELEPHONE	49.36	186.19	467.36	288.77	1,778.65	146,745.37
UTILITIES	0.00	0.00	0.00	0.00	964.10	5,988.14
INSURANCE AND BONDS	9,409.00	4,530.00	16,017.00	5,726.00	52,569.00	38,850.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	(500.00)
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	358.00
EQUIPMENT	6,961.70	0.00	0.00	0.00	8,223.03	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	914.55	779.39
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	984.45	270.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	110,289.05	66,747.17	288,293.69	121,175.78	817,113.34	775,919.31
ADMINISTRATIVE OVERHEAD	309,541.04	146,132.00	445,351.04	148,619.04	1,554,467.12	1,410,147.12
ADMINISTRATIVE EXPENSES	128,113.03	72,209.15	277,190.00	92,396.68	0.00	0.00
TOTAL EXPENDITURES	<u>690,387.00</u>	<u>318,155.37</u>	<u>1,199,635.57</u>	<u>435,067.28</u>	<u>3,478,599.81</u>	<u>3,311,481.53</u>
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(153,152.00)	(45,760.00)	(344,344.00)	(248,592.00)	(2,330,920.00)	(1,108,628.64)
TOTAL MANDATORY TRANSFERS	<u>(153,152.00)</u>	<u>(45,760.00)</u>	<u>(344,344.00)</u>	<u>(248,592.00)</u>	<u>(2,330,920.00)</u>	<u>(1,108,628.64)</u>
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(153,152.00)</u>	<u>(45,760.00)</u>	<u>(344,344.00)</u>	<u>(248,592.00)</u>	<u>(2,330,920.00)</u>	<u>(1,108,628.64)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 354,730.60	\$ 197,164.49	\$ 621,646.57	\$ 84,739.42	\$ 736,316.47	\$ 118,097.76
AND TRANSFERS (DEFICIT)						

# **I N D E X** **JUNE 30, 2012**

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# Financial Report Highlights

## June 30, 2012

### Introduction

This Financial Report presents the financial position and financial activity of the University of South Alabama utilizing the fund basis of accounting. The report presents the assets, liabilities and fund balances of each fund including the current funds (unrestricted and restricted), loan funds, endowment funds, and plant funds (renewals and replacements, retirement of indebtedness and investment in plant). The financial reporting requirements of the Governmental Accounting Standard Board, by which the University reports its quarterly financial statements, are not utilized in this monthly financial report.

### Financial Highlights

Financial report highlights at, and for the nine months ended, June 30, 2012 and 2011 are as follows (in thousands):

	At and for the nine months ended	
	6-30-12	6-30-11
<b>Total assets</b>		
Current	\$ 188,543	\$ 210,449
Loan	5,102	5,246
Endowment	134,914	135,166
Plant	695,248	654,684
<b>Fund Balances</b>		
Current	\$ 8,825	\$ 442
Loan	571	796
Endowment	102,390	112,599
Plant	319,156	306,168
<b>Other balance sheet highlights</b>		
Cash and investments	\$ 254,505	\$ 241,872
Receivables, primarily patient care	138,175	119,010
Bonds and note payable	356,536	327,730

	For the nine months ended	
	6-30-12	6-30-11
<b>Selected operating highlights (current funds)</b>		
Tuition and fees	\$ 89,672	\$ 82,919
State appropriations	79,244	72,712
Hospital revenues	251,634	220,428
Gifts, grants and contracts	82,608	94,967
Instruction and academic support	101,905	102,283
Research and public service	59,562	61,343
Hospital expenses	260,145	230,925
Net current fund increase (decrease)	3,259	(10,427)

### Financial Analysis

This report should be read in conjunction with the University's monthly financial reports and with the understanding of the cyclical nature of the University's operations. Certain revenues (tuition and fees, auxiliary enterprises, etc.) are received at specific times in the University's fiscal year while certain other revenue streams (hospital, state appropriations) are received throughout the year. Additionally, certain revenue and expense items fluctuate with changes in enrollment while others do not. As a result of these items, significant fluctuations of cash and investments along with other balance sheet items are normal.

### Economic Outlook

While enrollment and tuition have increased in recent years, the University has experienced a significant decline in state appropriations. Additionally, the University is subject to the uncertainties of the general economic conditions in the United States and the State of Alabama. Administration is not aware of any other conditions that are expected to have a significant impact on the University's financial position in 2012 or beyond.

UNIVERSITY OF SOUTH ALABAMA  
BALANCE SHEET  
JUNE 2012 AND 2011

ASSETS		2012	2011	LIABILITIES AND FUND BALANCES		2012	2011
<b>CURRENT FUNDS:</b>				<b>CURRENT FUNDS:</b>			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	138,654.84	136,073.58	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	45,184,219.14	51,277,076.30
INVESTMENTS		20,615,476.88	54,611,113.18	DEFERRED REVENUES		60,629,410.23	48,149,526.84
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$54,927,960.32 FOR 2012 AND \$49,794,921.65 FOR 2011)				DUE TO OTHER FUNDS		70,291,841.94	100,099,676.14
DEPOSITS		138,175,281.25	119,010,454.00	DEPOSITS HELD IN CUSTODY		2,775,075.09	3,359,357.50
INVENTORIES AT COST		35,000.00	35,000.00	OTHER DEPOSITS		636,648.99	458,331.20
PREPAID EXPENSES		5,258,597.26	5,054,800.59	FUND BALANCES:			
		20,294,099.05	21,563,571.59	ALLOCATED FOR:			
				HOSPITALS	(49,782,677.42)		(38,971,879.03)
				AUXILIARY ENTERPRISES	2,761,307.23		1,298,780.49
				ENCUMBRANCES	4,477,795.30		4,586,474.83
				SELF-SUPPORTING ACTIVITIES	57,425,899.82		47,272,109.93
				UNALLOCATED	(9,884,411.04)		(17,098,443.26)
				TOTAL FUND BALANCES	4,997,913.89		(2,912,957.04)
				TOTAL UNRESTRICTED	184,515,109.28		200,431,012.94
TOTAL UNRESTRICTED		184,515,109.28	200,431,012.94				
<b>RESTRICTED FUNDS:</b>				<b>RESTRICTED FUNDS:</b>			
CASH AND CASH EQUIVALENTS		294,220.76	0.00	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		178,359.36	113,188.53
INVESTMENTS		3,999.33	8,731.27	DEFERRED REVENUES		22,514.83	1,253,923.99
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		3,729,602.14	10,009,876.01	DUE TO OTHER FUNDS		0.00	5,296,105.56
				FUND BALANCES		3,826,948.04	3,355,189.20
TOTAL RESTRICTED		4,027,822.23	10,018,407.28	TOTAL RESTRICTED		4,027,822.23	10,018,407.28
TOTAL CURRENT FUNDS		188,542,931.51	210,449,420.22	TOTAL CURRENT FUNDS		188,542,931.51	210,449,420.22
<b>LOAN FUNDS:</b>				<b>LOAN FUNDS:</b>			
CASH AND CASH EQUIVALENTS		1,237,029.13	1,972,573.37	REFUNDABLE GOVERNMENT ADVANCES		4,530,636.86	4,449,746.67
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$46,174.34 FOR 2012 AND \$476,477.39 FOR 2011)				FUND BALANCES:			
TOTAL LOAN FUNDS		3,865,135.45	3,273,254.52	UNIVERSITY FUNDS, UNRESTRICTED		571,527.72	798,081.22
				TOTAL FUND BALANCES		571,527.72	798,081.22
				TOTAL LOAN FUNDS		5,102,164.58	5,245,827.89
<b>ENDOWMENT FUNDS:</b>				<b>ENDOWMENT FUNDS:</b>			
CASH AND CASH EQUIVALENTS		41,391,080.00	40,851,784.15	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		25,460,600.00	15,877,400.00
INVESTMENTS		83,059,451.07	82,851,058.54	BONDS PAYABLE		7,063,414.00	6,689,989.00
ACCOUNTS RECEIVABLE		3,713,457.45	5,269,477.44	FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		3,162,768.00	2,849,768.00	RESTRICTED NONEXPENDABLE		31,254,927.31	29,788,244.93
PREPAID-LIFE ESTATE		3,587,008.00	3,544,394.00	UNRESTRICTED EXPENDABLE		71,134,823.21	82,910,948.20
				TOTAL FUND BALANCES		102,389,750.52	112,599,093.13
TOTAL ENDOWMENT FUNDS		134,913,764.52	135,166,482.13	TOTAL ENDOWMENT FUNDS		134,913,764.52	135,166,482.13
<b>PLANT FUNDS:</b>				<b>PLANT FUNDS:</b>			
CASH AND CASH EQUIVALENTS		57,447,001.95	58,791,360.52	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		12,237,249.06	4,589,981.22
INVESTMENTS		47,164,875.98	3,107,242.65	DEFERRED REVENUES		7,293,774.93	16,170,945.33
ACCOUNTS RECEIVABLE		2,687,392.58	14,519,581.00	OTHER DEPOSITS		25,791.63	25,791.63
NOTES RECEIVABLE		0.00	105,395,781.70	BONDS PAYABLE		356,535,516.29	327,729,875.75
DUE FROM OTHER FUNDS		70,291,841.94	4,595,596.84				
PREPAID EXPENSES		5,573,738.25	938,574.98				
CAPITAL LEASE RECEIVABLE		423,878.30					
INVESTMENT IN PLANT:							
LAND		22,056,047.66	21,996,268.29				
LAND IMPROVEMENTS		297,733,660.03	12,156,446.04				
BUILDINGS - ACCUM DEPREC AND IMPROVEMENTS		297,733,660.03	249,165,670.55				
OTHER EQUIPMENT, BOOKS AND FILMS		51,048,264.05	57,829,354.12				
CONSTRUCTION IN PROGRESS		130,256,995.35	126,188,569.67				
TOTAL PLANT FUNDS		695,248,476.98	654,884,446.36				
TOTAL ASSETS	\$	1,023,607,337.59	1,005,546,176.60				
				TOTAL LIABILITIES AND FUND BALANCES	\$	1,023,607,337.59	1,005,546,176.60

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE NINE MONTHS ENDED JUNE 30, 2012

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
	UNRESTRICTED	RESTRICTED					
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	227,884,618.46						
HOSPITALS REVENUES	258,244,809.88						
AUXILIARY ENTERPRISES REVENUES	12,093,072.88						
GRANTS AND CONTRACTS:							
FEDERAL		36,101,731.78					
STATE AND LOCAL		3,995,485.93					
PRIVATE		3,899,632.51					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE							
INVESTMENT INCOME/GAINS/LOSS			105,561.62	848,808.36	253,424.03	61,449.49	
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			3,713.92	2,341,101.94	196,110.04	12,247.25	
EXPENDED FOR PLANT FACILITIES (INCLUDING \$12,293,231.98 CURRENT FUNDS EXPENDITURES)							
RETIREMENT OF INDEBTEDNESS							46,709,489.03
PROCEEDS FROM SALE OF CAPITAL ASSETS							4,785,000.00
OTHER SOURCES		3,106,859.07		3,700.00	6,291,127.79		(363,977.46)
TOTAL REVENUES AND OTHER ADDITIONS	498,222,500.82	47,103,709.29	109,275.54	3,193,610.30	6,740,661.86	73,696.74	51,130,511.57
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	205,537,458.49	43,083,450.57					
HOSPITALS EXPENDITURES	255,462,023.23						
AUXILIARY ENTERPRISES EXPENDITURES	8,586,410.11						
INDIRECT COSTS RECOVERED		3,487,030.03					
REFUNDED TO GRANTORS		244,279.99					
RETIREMENT OF INDEBTEDNESS						4,785,000.00	
ADMINISTRATIVE AND COLLECTION COSTS							
EXPENDED FOR PLANT FACILITIES (INCLUDING \$2,460,045.72 FOR NON-CAPITALIZED EXPENDITURES)			11,608.98		36,876,302.77	10,024,521.78	24,080,875.03
INTEREST ON INDEBTEDNESS							
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			(128,760.00)	290,051.23		187,619.00	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	469,585,891.83	46,814,760.59	(117,141.02)	290,051.23	36,876,302.77	14,997,140.78	24,080,875.03
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(17,163,902.72)				66,328.00	17,262,533.60	(164,958.88)
FINANCIAL AID MATCHING	(137,159.00)	137,159.00					
NON-MANDATORY:							
FUNDED DEPRECIATION	(8,629,140.96)						
MOBILE RACING COMMISSION	(365,152.45)						
PLANT ADDITIONS AND REPLACEMENTS	(4,107,000.00)					77,100.00	
ENDOWMENT FUND	(1,763,105.31)						
OTHER TRANSFERS	4,912,840.87	1,413,913.48		714,344.28			
TOTAL TRANSFERS	(27,252,619.57)	(101,941.78)		(446,737.23)			
NET INCREASE (DECREASE) FOR THE PERIOD	1,383,989.42	1,738,079.40	0.00	3,171,166.12			
FUND BALANCES AT OCTOBER 1, 2011	3,613,924.47	2,088,888.64	226,416.56	99,218,584.40	64,246,266.12	2,116,690.62	25,604,034.60
FUND BALANCES AT JUNE 30, 2012	\$ 4,997,913.89	\$ 3,826,948.04	\$ 571,527.72	\$ 102,389,750.52	\$ 44,051,974.31	\$ 6,751,367.10	\$ 268,352,803.66

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$8,629,140.96 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE NINE MONTHS ENDED JUNE 30, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	MONTH ENDED JUNE 30, 2012			MONTH ENDED JUNE 30, 2011	
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED
REVENUES:					
TUITION AND FEES	\$ 89,671,900.25	\$	\$ 89,671,900.25	\$ 82,918,793.27	
STATE APPROPRIATIONS	72,633,774.06		72,633,774.06	66,459,603.04	
MOBILE RACING COMMISSION	365,152.45		365,152.45	71,923.68	
FEDERAL GRANTS AND CONTRACTS	2,932,616.83	33,359,926.36	36,292,543.19	49,225,273.58	
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$210,273.90)	335,168.79	3,435,515.48	3,770,684.27	4,412,121.31	
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$344,139.30)	39,240,976.15	3,304,168.17	42,545,144.32	41,329,188.35	
INVESTMENT INCOME	58,191.67		58,191.67	32,789.12	
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	2,561,253.38		2,561,253.38	2,299,707.33	
HOSPITALS - SALES AND SERVICES	251,634,471.68		251,634,471.68 *	220,428,368.55	
- STATE APPROPRIATIONS	6,610,338.00		6,610,338.00	6,252,009.75	
AUXILIARY ENTERPRISES - SALES AND SERVICES	12,093,072.68		12,093,072.68	10,032,255.49	
OTHER SOURCES	20,085,584.88	2,983,840.56	23,069,425.44	28,884,242.84	
TOTAL CURRENT REVENUES	499,222,500.92	43,083,450.57	541,305,951.39	512,346,276.31	
EXPENDITURES AND TRANSFERS:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	80,262,778.44	6,902,099.37	87,164,877.81	88,012,784.45	
RESEARCH	7,244,501.57	8,749,910.12	15,994,411.69	16,699,185.76	
PUBLIC SERVICE	40,318,848.88	3,249,162.73	43,568,011.61	44,643,658.47	
ACADEMIC SUPPORT	14,736,476.13	3,398.24	14,739,874.37	14,270,607.30	
STUDENT SERVICES	21,206,537.89	595,530.26	21,802,068.15	19,522,878.37	
INSTITUTIONAL SUPPORT	19,887,389.07	1,075,775.24	20,963,164.31	20,070,195.98	
OPERATION AND MAINTENANCE OF PLANT	11,654,644.16	10,678,453.51	22,333,097.67	31,064,956.24	
SCHOLARSHIPS	4,273,332.35	10,920,630.70	15,193,963.05	19,599,021.03	
EDUCATIONAL AND GENERAL	205,534,508.49	42,174,960.17	247,709,468.66	253,883,287.60	
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	10,430,692.38		10,430,692.38	10,733,893.43	
FINANCIAL AID MATCHING	137,193.00		137,193.00	93,623.33	
TOTAL EDUCATIONAL AND GENERAL	216,102,393.87	42,174,960.17	258,140,151.04	264,710,804.36	
HOSPITALS (INCLUDING DEBT SERVICE OF \$3,774,206.30)	259,236,229.53	908,490.40	260,144,719.93	230,925,434.33	
AUXILIARY ENTERPRISES:					
EXPENDITURES					
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	8,586,410.11		8,586,410.11	9,153,768.69	
NON-MANDATORY TRANSFERS FOR:	2,959,004.04		2,959,004.04	1,559,315.16	
RENEWALS AND REPLACEMENTS	120,000.00		120,000.00	0.00	
TOTAL AUXILIARIES	11,665,414.15	0.00	11,665,414.15	10,713,083.85	
TOTAL EXPENDITURES AND TRANSFERS	487,004,003.55	43,083,450.57	529,950,295.12	506,349,322.54	
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):					
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES					
REFUNDED TO GRANTORS					
FUNDED DEPRECIATION		533,228.69	533,228.69	1,182,479.96	
MOBILE RACING COMMISSION	(8,629,140.96)	(244,279.99)	(8,873,420.95)	(9,245.67)	
PLANT ADDITIONS AND REPLACEMENTS	(3,987,000.00)		(3,987,000.00)	(3,525,000.27)	
ENDOWMENT FUND	(1,763,105.31)	1,413,913.48	(349,191.83)	(71,923.68)	
OTHER TRANSFERS	4,909,890.87	35,217.22	5,045,108.09	(13,862,093.00)	
TOTAL TRANSFERS	(9,534,507.85)	1,738,079.40	(7,796,428.45)	(997,008.36)	
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 1,383,989.42	\$ 1,738,079.40	\$ 3,259,272.82	\$ 858,637.77	
				(16,424,153.25)	
				(10,427,199.48)	

\*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$8,629,140.96 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

**UNIVERSITY OF SOUTH ALABAMA**  
**Notes to Financial Report**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS**

The accompanying financial reports are the responsibility of management of the University of South Alabama. Management is responsible for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising a system of internal control that will, among other things, help assure the production of proper financial statements. The transactions which should be reflected in the accounts and in the financial reports are matters within the direct knowledge and control of management.

**BASIS OF PRESENTATION**

The financial reports of the University of South Alabama (the University) are prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and, (3) transfers of a nonmandatory nature in all other cases.

**FUND ACCOUNTING**

In order to observe limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds restricted by outside sources are so indicated and are distinguished from funds designated for specific purposes by authority of the Board of Trustees.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**UNIVERSITY OF SOUTH ALABAMA**  
**Notes to Financial Report**

**CURRENT FUNDS**

Current fund balances are separated into those which are unrestricted and those which are restricted by donors and grantors. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are under the control of the University to use in achieving its educational purposes.

**PLANT FUNDS**

Plant funds include the transactions related to investment in institutional properties and related indebtedness.

Plant assets consisting of land, buildings, equipment and library books are stated at cost or, if contributed, at fair market value at the time of receipt. Investment in plant is reduced for disposals of plant assets.

Some equipment purchases are made from current funds and are presented under the appropriate functional classification of expenditures, while other additions are funded by transfers from unrestricted current funds to the plant funds. All such expenditures in excess of \$5,000 having a life of two years or more are capitalized as investment in plant.

**INVESTMENT IN POOLED FUNDS**

Investments are stated at cost, except those received by gift which are stated at fair market value at date of receipt. Endowment investments of the University are maintained and administered in a common pool. Separate accounts are maintained for each fund, as applicable. Depositories and other financial institutions that held investments for the University have pledged securities of various governmental agencies to secure funds held on deposit.

**UNRESTRICTED GIFTS**

Except for pledged operating and capital gifts, unrestricted gifts are recognized as revenue when received. Certain operating and capital pledges are recorded as a receivable, along with the corresponding revenue, when such pledges are made.

**GRANTS AND CONTRACTS**

The University has been awarded grants and contracts for current funds operations for which the funds have not been received nor have expenditures been made for the purpose specified in the grant or contract. These awards have not been reflected in the financial reports, but represent commitments of sponsors to provide funds for specific research and training projects.



**UNIVERSITY OF SOUTH ALABAMA**  
Notes to Financial Report

**SCHOLARSHIPS AND FELLOWSHIPS**

The University receives funds which are restricted by donors and grantors for assistance to qualified students. When these funds are granted to students, the University records the expenditure for scholarships and fellowships along with the corresponding revenue.

**INCOME TAXES**

The Internal Revenue Service has determined that the University is a tax-exempt organization; accordingly, no provision for income taxes has been made in the accompanying financial statements.

**DEFERRED REVENUES AND EXPENDITURES**

Dormitory rentals, student tuition and other fees, together with related expenditures, are deferred and amortized over the applicable academic semester.

**EMPLOYEE BENEFITS**

Employees of the University are covered by two pension plans, a defined contribution pension plan and a pension plan administered by the Teachers' Retirement System of the State of Alabama (the Retirement Plan).

The defined contribution pension plan covers certain academic and administrative employees and contributions under this plan are funded as accrued.

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 12.07% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

**LIABILITY INSURANCE**

The University and certain of its affiliates participate in professional and general liability trust funds. These trust funds are irrevocable and use contributions by the University and its affiliates, together with earnings thereon, to pay liabilities arising from the performance of its employees. Contributions to the trusts are recorded as expenditures upon payment and are determined by independent actuaries. If the trust funds are ever terminated, appropriate provision for payment of reported claims will be made and any remaining balance will be distributed to the University and its affiliates in proportion to contributions made.

**UNIVERSITY OF SOUTH ALABAMA**  
**Notes to Financial Report**

**BONDS PAYABLE**

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

**LITIGATION**

Various other claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion that the resolution of these matters will not have a material effect on the financial position or results of operations of the University.

**MEDICAID DISPROPORTIONATE SHARE PAYMENTS**

Hospitals revenues include funds received from the Alabama Medicaid Agency for services provided to a disproportionately high number of low income patients.

## **SUPPLEMENTAL SCHEDULES**

SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES  
REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE NINE MONTHS ENDED JUNE 30, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				06/30/12	06/30/11
BOOKSTORE	\$ 4,709,846.69	\$ 4,731,452.49	\$ (177,399.00)	\$ (199,004.80)	\$ 53,081.71
BROOKLEY CENTER	0.00	217.50	0.00	(217.50)	(885,856.09)
FOOD SERVICES-CAMPUS	715,160.26	203,023.38	(570,685.04)	(58,548.16)	(39,331.45)
HOUSING	6,668,065.73	3,651,716.74	(2,330,920.00)	685,428.99	191,277.47
TOTAL	\$ 12,093,072.68	\$ 8,586,410.11	\$ (3,079,004.04)	\$ 427,658.53	\$ (680,828.36)

BOOKSTORE  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE NINE MONTHS ENDED JUNE 30, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	06/30/12	06/30/11
REVENUES:		
SALES	\$ 4,602,864.88	\$ 4,442,773.61
LESS: DEPARTMENTAL DISCOUNTS	5,119.49	3,675.21
COST OF GOODS SOLD	3,364,960.14	3,169,259.92
GROSS PROFIT	1,232,785.25	1,269,838.48
CASH OVER/(SHORT)	(1,476.00)	(86.59)
GRADUATION (NET)	67,338.15	51,578.50
TEXTBOOK RENTAL INCOME	4,211.50	0.00
OTHER	36,908.16	33,876.74
NET REVENUES:	1,339,767.06	1,355,207.13
EXPENDITURES:		
SALARIES	595,053.38	559,569.59
EMPLOYEE BENEFITS	191,932.42	188,246.51
SUPPLIES	15,543.37	13,132.55
TRAVEL	8,622.39	2,241.59
EQUIPMENT	11,726.43	8,323.64
EQUIPMENT MAINTENANCE AND REPAIR	32,260.56	46,817.75
BUILDING & EQUIPMENT RENTAL	21,792.32	15,924.14
ADVERTISING	18,372.62	26,536.11
UTILITIES	56,250.00	56,250.00
TELEPHONE	14,761.52	9,208.97
INSURANCE AND BONDS	3,997.00	3,800.00
CONTRACT SERVICES	125,722.05	90,956.65
BAD DEBT EXPENSE	0.00	0.00
RENT	3,108.00	0.00
OBSOLETE INVENTORY	403.90	0.00
GENERAL EXPENSES	30,582.98	42,690.93
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	55,554.20	18,297.52
INSTITUTIONAL COST ALLOCATION	175,689.72	220,129.47
TOTAL EXPENDITURES	1,361,372.86	1,302,125.42
TRANSFERS AMONG FUNDS- ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(177,399.00)	0.00
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	(177,399.00)	0.00
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	\$ (199,004.80)	\$ 53,081.71

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	ADMINISTRATION	INVESTMENT HOUSING	GOLF SHOP	FOOD SERVICE	TOTAL AUXILIARY SERVICES
REVENUES:					
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00
FEES	0.00	0.00	0.00	0.00	0.00
RENTALS	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00
EXPENDITURES:					
OPERATING EXPENDITURES:					
SALARIES	0.00	0.00	0.00	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00
SUPPLIES	0.00	0.00	0.00	0.00	0.00
TRAVEL	217.50	0.00	0.00	0.00	0.00
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00
UTILITIES	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00
TELEPHONE	0.00	0.00	0.00	0.00	0.00
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	0.00
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	217.50	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER EXPENDITURES	(217.50)	0.00	0.00	0.00	0.00
OTHER EXPENDITURES:					
EQUIPMENT	0.00	0.00	0.00	0.00	0.00
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	0.00	0.00	0.00	0.00	0.00
TRANSFERS AMONG FUNDS:					
ADDITIONS/(DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:					
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER					
EXPENDITURES (DEFICIT)	\$ (217.50)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**BROOKLEY CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2012**  
**WITH COMPARATIVE FIGURES FOR 2011**

	CONTINUING EDUCATION	EDUCATIONAL LEASING	UNIVERSITY SERVICE	TOTAL EDUCATIONAL SERVICES	BROOKLEY CENTER TOTAL 06/30/12	BROOKLEY CENTER TOTAL 06/30/11
<b>REVENUES:</b>						
SALES-FOOD & MERCHANDISE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,005.63
LESS: COST OF GOODS SOLD	0.00	0.00	0.00	0.00	0.00	0.00
DISCOUNTS	0.00	0.00	0.00	0.00	0.00	2,100.43
GROSS PROFIT	0.00	0.00	0.00	0.00	0.00	2,905.20
FEES	0.00	0.00	0.00	0.00	0.00	192,672.58
RENTALS	0.00	0.00	0.00	0.00	0.00	16,753.16
OTHER	0.00	0.00	0.00	0.00	0.00	16,879.31
FACILITY ASSESSMENT FEE	0.00	0.00	0.00	0.00	0.00	0.00
NET REVENUES	0.00	0.00	0.00	0.00	0.00	229,210.25
<b>EXPENDITURES:</b>						
OPERATING EXPENDITURES:						
SALARIES	0.00	0.00	0.00	0.00	0.00	212,603.45
EMPLOYEE BENEFITS	0.00	0.00	0.00	0.00	0.00	66,021.87
SUPPLIES	0.00	0.00	0.00	0.00	0.00	2,494.69
TRAVEL	0.00	0.00	0.00	0.00	217.50	890.00
CONTRACT SERVICE	0.00	0.00	0.00	0.00	0.00	87,475.58
BUILDING MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	13,115.44
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00	11,422.52
UTILITIES	0.00	0.00	0.00	0.00	0.00	338,154.94
EQUIPMENT MAINTENANCE & REPAIR	0.00	0.00	0.00	0.00	0.00	6,706.85
BUILDING & EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00	97,829.20
TELEPHONE	0.00	0.00	0.00	0.00	0.00	11,832.64
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00	46,034.00
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00	1,670.27
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	0.00	0.00	0.00	0.00	0.00	218,263.64
EXPENSE OFFSET	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATIONAL SUPPORT ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATING EXPENDITURES	0.00	0.00	0.00	0.00	217.50	1,114,515.09
EXCESS REVENUES OVER EXPENDITURES	0.00	0.00	0.00	0.00	(217.50)	(885,304.84)
<b>OTHER EXPENDITURES:</b>						
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	551.25
OTHER COST ALLOCATIONS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OTHER EXPENDITURES	0.00	0.00	0.00	0.00	0.00	551.25
<b>TRANSFERS AMONG FUNDS -</b>						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	0.00	0.00
NON-MANDATORY:						
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
EXCESS REVENUES OVER	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (217.50)	\$ (885,856.09)
EXPENDITURES (DEFICIT)						

FOOD SERVICE  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE NINE MONTHS ENDED JUNE 30, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	06/30/12	06/30/11
REVENUES:		
COMMISSION INCOME	\$ 715,160.26	\$ 555,399.14
TOTAL REVENUES	<u>715,160.26</u>	<u>555,399.14</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	448.28	0.00
EQUIPMENT MAINTENANCE AND REPAIR	39,263.14	16,467.03
UTILITIES	93,750.03	74,999.97
TELEPHONE	333.28	(22.32)
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	25,160.25	13,248.38
INSURANCE AND BONDS	9,537.00	8,505.00
EQUIPMENT	2,519.97	2,795.87
BUILDING MAINTENANCE AND REPAIR	2,905.00	3,231.50
INDIRECT COST	18,749.97	18,749.97
GENERAL EXPENSE	<u>10,356.46</u>	<u>6,068.67</u>
TOTAL EXPENDITURES	<u>203,023.38</u>	<u>144,044.07</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):	(450,685.04)	(450,686.52)
NON-MANDATORY:		
OTHER TRANSFERS	<u>(120,000.00)</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(570,685.04)</u>	<u>(450,686.52)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ (58,548.16)</u>	<u>\$ (39,331.45)</u>



HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE NINE MONTHS ENDED JUNE 30, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 133,235.00	\$ 5,999.50	\$ 1,237,553.22	\$ 35,832.10	\$ 330,275.23
BAD DEBT RECOVERY	2,670.00	0.00	0.00	0.00	0.00	1,187.09	0.00
OTHER	61,608.00	0.00	0.00	0.00	9,638.74	1,275.00	58,874.50
TOTAL REVENUES	64,278.00	0.00	133,235.00	5,999.50	1,247,191.96	38,294.19	389,149.73
EXPENDITURES:							
SALARIES	262,709.50	1,928.50	0.00	7,801.00	62,922.36	0.00	33,111.21
EMPLOYEE BENEFITS	77,429.36	25.51	0.00	244.04	5,178.46	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	675.82	0.00	68,178.00	0.00	3,908.84	0.00	0.00
TRAVEL	4,981.49	2,841.00	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	1,067.82	8,058.59	0.00	8.46	283.50	0.00	0.00
SUPPLIES	22,000.99	5,153.11	0.00	564.58	16,953.13	(157.92)	247.43
CABLE	120,643.20	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	566.41	0.00	0.00	0.00	79.09	0.00	223.28
UTILITIES	0.00	0.00	0.00	0.00	0.00	(118.50)	1,244.05
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	9,059.00	786.00	6,310.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	142.29	1,119.04	0.00	0.00	28,094.83	0.00	0.00
EQUIPMENT RENTAL	989.55	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	814.45	0.00	0.00	0.00	1,671.33	0.00	0.00
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	79,395.68	6,614.12	0.00	0.00	79,517.65	1,301.96	75,368.50
ADMINISTRATIVE OVERHEAD	288,282.00	0.00	0.00	0.00	162,076.00	0.00	54,466.00
ADMINISTRATIVE EXPENSES	(796,152.56)	(25,739.87)	26,300.55	0.00	125,749.55	0.00	66,573.29
TOTAL EXPENDITURES	64,278.00	0.00	94,478.55	8,618.08	495,493.74	1,811.54	237,543.76
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(1,232,032.00)	0.00	(307,040.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(1,232,032.00)	0.00	(307,040.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	(1,232,032.00)	0.00	(307,040.00)
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 38,756.45	\$ (2,618.58)	\$ (480,333.78)	\$ 36,482.65	\$ (155,434.03)
AND TRANSFERS (DEFICIT)							

HOUSING  
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE NINE MONTHS ENDED JUNE 30, 2012  
WITH COMPARATIVE FIGURES FOR 2011

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	TOTAL HOUSING 06/30/12	TOTAL HOUSING 06/30/11
REVENUES:						
RENTAL INCOME	\$ 1,279,928.99	\$ 562,445.52	\$ 2,156,107.01	\$ 759,624.70	\$ 6,501,001.27	\$ 4,603,739.61
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	3,857.09	1,681.96
OTHER	4,822.50	5,954.50	13,875.13	7,159.00	163,207.37	111,981.84
TOTAL REVENUES	1,284,751.49	568,400.02	2,169,982.14	766,783.70	6,668,065.73	4,717,403.41
EXPENDITURES:						
SALARIES	122,200.21	31,755.37	161,957.11	62,090.36	746,475.62	575,237.93
EMPLOYEE BENEFITS	17,125.03	2,514.43	26,633.24	3,755.97	132,906.04	120,765.39
CONTRACT LABOR	804.01	0.00	5,046.50	4,534.00	10,384.51	3,492.96
CONTRACT SERVICES	0.00	0.00	11,249.25	988.00	84,999.91	73,636.64
TRAVEL	0.00	0.00	0.00	0.00	7,822.49	4,292.23
RECEPTIONS	0.00	0.00	0.00	0.00	9,418.37	9,895.86
SUPPLIES	0.00	0.00	1,310.75	714.10	46,786.17	119,242.10
CABLE	0.00	0.00	0.00	0.00	120,643.20	105,157.69
TELEPHONE	56.72	210.48	521.14	321.35	1,978.47	146,898.49
UTILITIES	0.00	0.00	0.00	0.00	1,125.55	6,434.88
INSURANCE AND BONDS	9,409.00	4,530.00	16,017.00	5,726.00	52,569.00	38,850.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	(500.00)
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	358.00
EQUIPMENT	6,961.70	0.00	0.00	0.00	36,317.86	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	989.55	854.39
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	2,485.78	270.00
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	124,444.05	68,097.17	286,432.19	121,175.78	842,347.10	802,463.62
ADMINISTRATIVE OVERHEAD	309,541.04	146,132.00	445,351.04	148,619.04	1,554,467.12	1,410,147.12
ADMINISTRATIVE EXPENSES	135,612.25	76,435.99	293,415.59	97,805.21	0.00	0.00
TOTAL EXPENDITURES	726,154.01	329,675.44	1,247,933.81	445,729.81	3,651,716.74	3,417,497.30
TRANSFERS AMONG FUNDS -						
ADDITIONS/(DEDUCTIONS):						
MANDATORY:						
PRINCIPAL AND INTEREST	(153,152.00)	(45,760.00)	(344,344.00)	(248,592.00)	(2,330,920.00)	(1,108,628.64)
TOTAL MANDATORY TRANSFERS	(153,152.00)	(45,760.00)	(344,344.00)	(248,592.00)	(2,330,920.00)	(1,108,628.64)
NON-MANDATORY:						
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	(153,152.00)	(45,760.00)	(344,344.00)	(248,592.00)	(2,330,920.00)	(1,108,628.64)
EXCESS REVENUES OVER EXPENDITURES	\$ 405,445.48	\$ 192,964.58	\$ 577,704.33	\$ 72,461.89	\$ 685,428.99	\$ 191,277.47
AND TRANSFERS (DEFICIT)						

**University of South Alabama**  
**Quarterly Financial Statements**  
**(A Component Unit of the State of Alabama)**  
**Nine Months Ended June 30, 2012 and 2011**

**Unaudited**

**University of South Alabama**  
**Quarterly Financial Statements**  
**(A Component Unit of the State of Alabama)**  
**Nine Months Ended June 30, 2012 and 2011**

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# University of South Alabama

## Management's Discussion and Analysis

### Introduction

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama (the University). This discussion was prepared by University management and should be read in conjunction with the financial statements and notes thereto, which follow.

### Financial Highlights

At June 30, 2012, the University had total assets of \$952,185,000, total liabilities of \$521,165,000 and net assets of \$431,020,000. University net assets increased \$14,124,000 for the nine months ended June 30, 2012 compared to an increase of \$824,000 for the nine months ended June 30, 2011. An overview of each statement is presented below along with a financial analysis of the transactions impacting the statement.

Condensed financial statements for the University at and for the nine months ended June 30, 2012 and 2011 follow (in thousands):

### Condensed Statements of Net Assets

	2012	2011
<i>Assets</i>		
Current	\$ 313,998	\$ 317,499
Capital and other noncurrent assets	<u>638,187</u>	<u>585,651</u>
	<u>952,185</u>	<u>900,150</u>
<i>Liabilities</i>		
Current	118,634	110,117
Noncurrent	<u>402,531</u>	<u>370,028</u>
	<u>521,165</u>	<u>480,145</u>
<i>Net Assets</i>		
Invested in capital assets, net of related debt	209,145	195,373
Restricted, nonexpendable	32,963	32,161
Restricted, expendable	44,797	45,110
Unrestricted	<u>144,115</u>	<u>147,461</u>
	<u>\$ 431,020</u>	<u>\$ 420,005</u>

# University of South Alabama

## Management's Discussion and Analysis (continued)

### Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2012</u>	<u>2011</u>
<i>Operating revenues</i>		
Tuition and fees	\$ 75,332	\$ 64,832
Hospital revenues, net	170,508	161,753
Other	<u>109,959</u>	<u>96,609</u>
	355,799	323,194
<i>Operating expenses</i>		
Salaries and benefits	300,048	289,943
Supplies and other services	105,209	111,676
Other	<u>38,138</u>	<u>36,492</u>
	<u>443,395</u>	<u>438,111</u>
Operating loss	(87,596)	(114,917)
<i>Nonoperating revenues (expenses)</i>		
State appropriations	79,244	72,712
State appropriated ARRA funds	-	8,864
Other, net	<u>7,912</u>	<u>15,062</u>
Net nonoperating revenues, net	<u>87,156</u>	<u>96,638</u>
Other revenues, expenses, gains or losses	<u>14,564</u>	<u>19,013</u>
Increase in net assets	14,124	724
Beginning net assets	<u>416,896</u>	<u>419,271</u>
Ending net assets	<u>\$ 431,020</u>	<u>\$ 420,005</u>

### Analysis of Financial Position and Results of Operations

#### *Statements of Net Assets*

The statements of net assets present the assets, liabilities and net assets of the University as of the end of the current reporting period. The net assets are displayed in three parts, invested in capital assets net of related debt, restricted and unrestricted. Restricted net assets may either be expendable or nonexpendable and are those assets that are restricted by law or by an external donor. Unrestricted net assets, while they are generally designated for specific purposes, are available for use by the University to meet current expenses for any purposes. The statements of net assets, along with all of the University's basic financial statements, are prepared under the accrual basis of

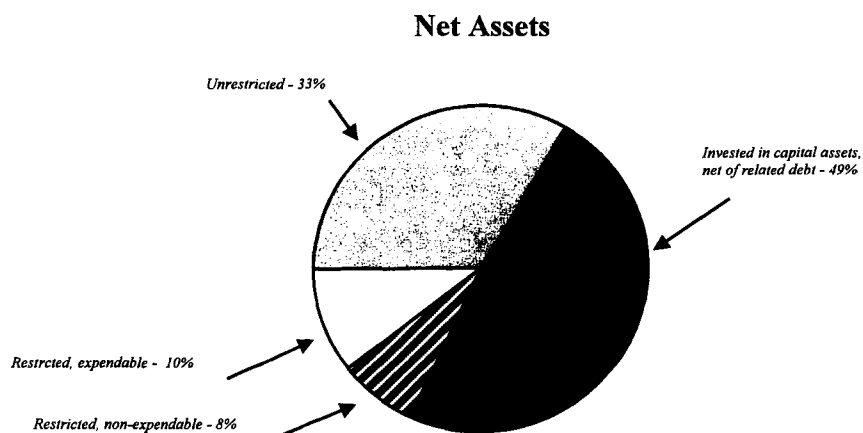
## University of South Alabama

### Management's Discussion and Analysis (continued)

accounting, whereby revenues are recognized when the service is provided and expenses are recognized when others provide the service to the University, regardless of when cash is exchanged.

Assets included in the statements of net assets are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, operating investments and hospital patient accounts receivable. Current liabilities consist primarily of accounts payable and accrued liabilities.

Net assets represent the residual interest in the University's assets after liabilities are deducted and are classified into one of four categories as shown on the following illustration, as of the end of the current reporting period:



Net assets invested in capital assets, net of related debt represent the University's capital assets less accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted nonexpendable net assets consist primarily of the University's permanent endowment funds. The corpus of these funds may not be expended and must remain with the University in perpetuity. Only the earnings from these funds may be expended. Restricted expendable net assets are subject to externally imposed restrictions governing their use. The funds are restricted primarily for debt service, capital projects, student loans and scholarship purposes.

## University of South Alabama

### Management's Discussion and Analysis (continued)

Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the University's unrestricted net assets have been designated for various academic and research programs and initiatives as well as capital projects.

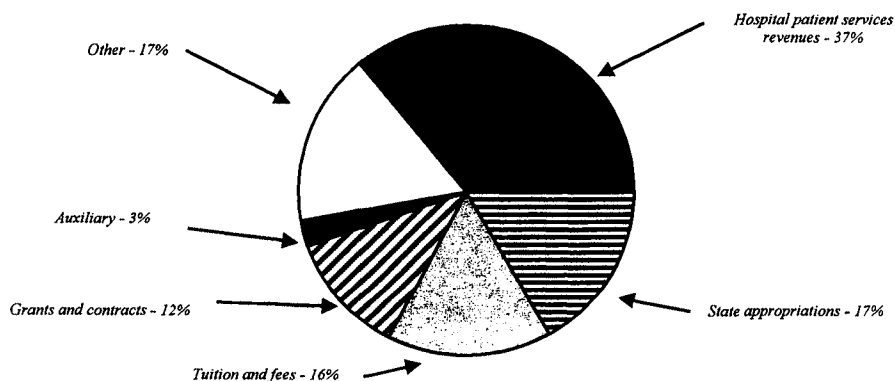
#### *Statements of Revenues, Expenses and Changes in Net Assets*

Changes in total University net assets as presented on the statements of net assets are based on the activity presented in the statement of revenues, expenses and changes in net assets. The purpose of the statements is to present the revenues recognized by the University, both operating and nonoperating, and the expenses incurred by the University, operating and nonoperating, and any other revenues, expenses, gains and losses recognized or incurred by the University.

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. GASB Statement No. 34 requires that state appropriations be classified as nonoperating.

Approximately one-half of the operating revenues of the University are hospital patient care revenues. The remainder consists primarily of tuition and fees, grants and contracts and auxiliary enterprise revenues. The following illustration presents the major sources of University revenues (operating, nonoperating and other) for the current period:

**Sources of Revenues**



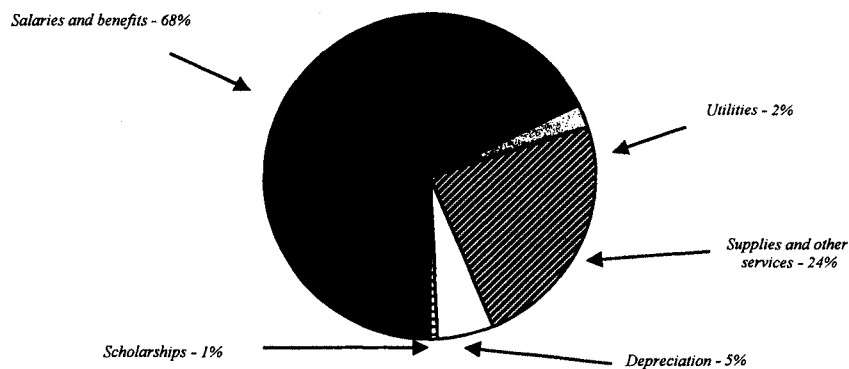


## University of South Alabama

### Management's Discussion and Analysis (continued)

University expenses are presented using natural expense classifications. Salaries and benefits represent the majority of the University's operating expenses. The following illustration presents the major University operating expenses, including the hospitals, using natural classification for the current period:

#### Operating Expenses by Natural Classification



#### Capital Assets and Debt Administration

During the current period, construction continued on Shelby Hall and the expansion of Children's and Women's Hospital and planning began on the new Delta student housing facility. Additionally, several other construction and renovation projects at the University and Hospitals remained ongoing during the current period. In fiscal 2010, the Football Field House and a major addition to the University's central utility plant system were placed into service. In fiscal 2011, the Student Recreation Center, Moulton Tower, the Glass Blowing Studio and the Student Dining Facility were placed into service. In fiscal 2012, Stokes Hall, the renovation of the University Bookstore and the campus entrance portals have been placed into service.

In June 2010, the University issued the University Facilities Revenue Capital Improvement Bond, Series 2010, with a face value of \$29,750,000. The net proceeds of this bond will be used to fund the construction of new student housing as well as other construction and capital improvement projects at the University.

In January 2012, the University issued the University Facilities Revenue Capital Improvement Bond, Series 2012-A, with a face value of \$25,000,000. The net proceeds

## **University of South Alabama**

### **Management's Discussion and Analysis (continued)**

of this bond will be used to fund the construction of new student housing as well as other construction and capital improvement projects at the University.

Also in January 2012, the University Facilities Revenue Capital Improvement Bond, Series 2012-B, with a face value of \$7,740,000. The net proceeds of this bond will be used to fund certain capital equipment purchases at the hospital and Mitchell Cancer Institute.

In June 2012, the University issued a note payable with a face value of approximately \$1,113,800 to Siemens Healthcare for the financing of certain computer equipment and software.

In March 2012, the University's bond credit rating was downgraded by Moody's Investors Services from Aa3 to A1. This represents the first change in the University's bond credit rating since it was upgraded from A1 to Aa3 in 2010. The University also has a rating of A+ from Standard and Poor's Ratings Services, which has not changed in 2012.

In order to realize debt service savings currently from future debt refunding, in January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds. This transaction was effected through the sale of two swaptions by the University to a counterparty and resulted in an up-front payment to the University totaling \$9,328,000 in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds. A portion of this payment is considered a borrowing and is included in the long-term debt of the University. The fair value component of the refunding associated with the swaps is considered an investment derivative and, as such, the change in the fair value component is reflected as a component of investment income.

#### **Economic Outlook**

While enrollment and tuition have both increased in recent years, state appropriations prior to 2006 were relatively flat. However, in the 2008, 2007 and 2006 fiscal years, the University experienced increases of 16%, 19% and 17%, respectively. These increases were unusually high. For the 2009 fiscal year, the University's original state appropriation decreased 12.8% or approximately \$17,882,000. Additionally, in December 2008 the Governor of Alabama announced proration of 9%, or approximately \$10,967,000; and in July 2009, the Governor announced additional proration of 2%, or

## **University of South Alabama**

### **Management's Discussion and Analysis (continued)**

approximately \$2,437,000. Therefore, the total decrease in the 2009 state appropriation was approximately \$31,286,000 to \$108,451,000, or 22.4% lower than in 2008.

A state appropriation in the amount of approximately \$108,133,000 was authorized for the year ended September 30, 2010. In September 2009, the Governor announced proration of 7.5%, or approximately \$8,264,000; and in September 2010, the Governor announced additional proration of 2%, or approximately \$2,162,000. Therefore, the total decrease from the original authorized 2010 state appropriation was approximately \$10,426,000 to \$97,860,000, or 9.6% lower than the original appropriation and 9.8% lower than the actual 2009 amounts received.

A state appropriation in the amount of \$99,947,000 was authorized for the year ended September 30, 2011. In February 2011, the Governor announced proration of 3%, or approximately \$2,999,000, to approximately \$96,948,000.

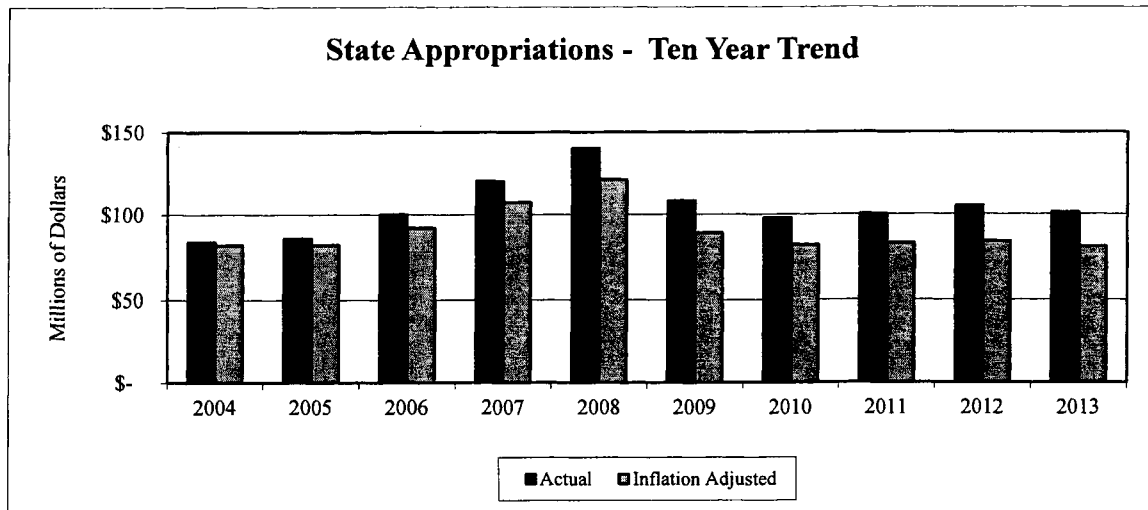
A state appropriation in the amount of approximately \$105,391,000 has been authorized and is being paid for the year ending September 30, 2012. This represents an \$8,443,000 increase from the fiscal 2011 appropriation received. While no announcement has been made, the University is aware that reductions in its 2012 appropriation are possible.

A state appropriation in the amount of approximately \$101,295,000 has been authorized for the year ending September 30, 2013. This represents a \$4,096,000 decrease from the fiscal 2012 appropriation.

## University of South Alabama

### Management's Discussion and Analysis (continued)

State appropriations (actual and adjusted for inflation) for the last ten years are illustrated below:



In addition to state appropriations, the University is subject to declines in general economic conditions in the United States and, specifically, the State of Alabama. Declines in financial markets have had a significant impact on the value of the University's endowment. Further weakening of the economy could have a potential further negative impact on the University's enrollment, extramural funding, endowment performance, and health care operations.

Other than the issues presented above, University administration is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during fiscal year 2012 beyond those unknown variables having a global effect on virtually all types of business operations.

# University of South Alabama

## Statements of Net Assets

**June 30, 2012 and 2011**

*(In thousands)*

	2012	2011
<b>Assets</b>		
Current assets		
Cash and cash equivalents	62,257	85,099
Investments	105,873	88,593
Net patient service receivables	36,775	35,697
Accounts receivable, affiliates	27,799	23,347
Accounts receivable, other	67,376	72,716
Notes receivable, net	4,558	4,236
Prepaid expenses, inventories and other	9,360	7,811
Total current assets	313,998	317,499
Noncurrent assets		
Restricted cash and cash equivalents	85,594	48,035
Investments, at fair value	-	19,320
Investments	790	826
Accounts receivable	4,368	5,705
Notes receivable, net	10,371	14,052
Other noncurrent assets	25,404	27,377
Capital assets (net of accumulated depreciation)	511,660	467,336
Total noncurrent assets	638,187	582,651
Total assets	952,185	900,150
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	50,086	49,710
Deferred revenue	56,740	52,132
Deposits	2,192	1,603
Current portion of long-term debt	9,616	6,672
Total current liabilities	118,634	110,117
Noncurrent liabilities		
Long-term debt	352,869	327,748
Other long-term liabilities	49,662	42,280
Total noncurrent liabilities	402,531	370,028
Total liabilities	521,165	480,145
<b>Net Assets</b>		
Invested in capital assets, net of related debt	209,145	195,273
Restricted, nonexpendable		
Scholarships	14,517	13,813
Other	18,446	18,348
Restricted, expendable		
Scholarships	9,165	9,900
Other	35,632	35,210
Unrestricted	144,115	147,461
Total net assets	431,020	420,005

See accompanying notes.

# University of South Alabama

## Statements of Revenues, Expenses and Changes in Net Assets

**Nine Months Ended June 30, 2012 and 2011**

*(In thousands)*

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Operating revenues		
Tuition and fees (net of scholarship allowances)	75,332	64,832
Patient services and other (net of contractual allowances and bad debt expense)	170,508	161,753
Federal grants and contracts	14,366	15,488
State grants and contracts	3,856	4,545
Private grants and contracts	38,789	37,876
Auxiliary enterprises (net of scholarship allowances)	12,052	9,763
Other operating revenues	40,896	28,937
Total operating revenues	<u>355,799</u>	<u>323,194</u>
<b>Expenses</b>		
Operating expenses		
Salaries and benefits	300,048	289,943
Supplies and other services	105,209	111,676
Scholarships and fellowships	3,412	3,913
Utilities	10,485	10,507
Depreciation	24,241	22,072
Total operating expenses	<u>443,395</u>	<u>438,111</u>
Operating loss	<u>(87,596)</u>	<u>(114,917)</u>
<b>Nonoperating revenues (expenses)</b>		
State appropriations	79,244	72,712
State appropriated ARRA funds	-	8,864
Investment income and gains on investments	1,348	7,142
Interest on indebtedness	(10,308)	(10,848)
Other nonoperating revenues	22,067	22,119
Other nonoperating expenses	(5,195)	(3,351)
Net nonoperating revenues	<u>87,156</u>	<u>96,638</u>
Loss before other revenues, expenses, gains or losses	<u>(440)</u>	<u>(18,279)</u>
Capital appropriations	-	-
Capital gifts and grants	12,223	16,233
Additions to endowment	2,341	2,780
Increase in net assets	<u>14,124</u>	<u>734</u>
<b>Net assets</b>		
Beginning of period	<u>416,896</u>	<u>419,271</u>
End of period	<u><u>431,020</u></u>	<u><u>420,005</u></u>

*See accompanying notes.*

# University of South Alabama

## Statements of Cash Flows

### Nine Months Ended June 30, 2012 and 2011

(in thousands)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 49,465	\$ 46,138
Receipts from and on behalf of patients and third-party payers	166,134	166,173
Receipts from grants and contracts	49,567	52,940
Receipts related to auxiliary enterprises	9,764	8,553
Payments to suppliers and vendors	(118,542)	(120,915)
Payments to employees and related benefits	(293,412)	(303,076)
Payments for scholarships and fellowships	(3,412)	(3,913)
Other operating receipts	<u>54,755</u>	<u>35,036</u>
Net cash used in operating activities	<u>(85,681)</u>	<u>(119,064)</u>
Cash flows from noncapital financing activities:		
State appropriations	61,096	57,446
State appropriated ARRA Funds	-	8,204
Endowment gifts	2,341	1,468
Agency funds received	634	521
Agency funds disbursed	(390)	(249)
Student loan program receipts	60,730	47,376
Student loan program disbursements	(60,980)	(47,099)
Other nonoperating revenues	17,652	21,684
Other nonoperating expenses	<u>(5,510)</u>	<u>(3,351)</u>
Net cash provided by noncapital financing activities	<u>75,573</u>	<u>86,000</u>
Cash flows from capital and related financing activities:		
Capital gifts and grants	14,234	16,233
Purchases of capital assets	(45,206)	(49,976)
Proceeds from sale of capital assets	3,846	3,942
Proceeds from issuance of capital debt	32,740	-
Principal payments on capital debt	(4,785)	(4,650)
Interest payments on capital debt	<u>(9,217)</u>	<u>(9,350)</u>
Net cash used in capital and related financing activities	<u>(8,388)</u>	<u>(43,801)</u>
Cash flows from investing activities:		
Interest and dividends on investments	2,589	3,290
Purchases of investments	(37,468)	(11,785)
Proceeds from sales of investments	<u>23,463</u>	<u>20,021</u>
Net cash provided by (used in) investing activities	<u>(11,416)</u>	<u>11,526</u>
Net decrease in cash and cash equivalents	<u>(29,912)</u>	<u>(65,339)</u>
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	<u>177,762</u>	<u>198,473</u>
End of year	<u>\$ 147,850</u>	<u>\$ 133,134</u>

See accompanying notes.

# University of South Alabama

## Statements of Cash Flows

**Nine Months Ended June 30, 2012 and 2011**

*(in thousands)*

	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (87,596)	\$ (114,917)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	24,241	22,072
Changes in assets and liabilities, net:		
Student receivables	(35,438)	(30,795)
Net patient accounts receivable	(3,068)	(4,843)
Grants and contracts receivables	(4,526)	(4,625)
Other receivables	(3,633)	1,797
Prepaid expenses, inventories, and other	(1,584)	163
Accounts payable and accrued liabilities	3,575	(3,578)
Deferred revenue	22,348	15,662
Net cash used in operating activities	<u>\$ (85,681)</u>	<u>\$ (119,064)</u>

*See accompanying notes.*



**University of South Alabama**  
**Notes to Financial Statements**  
**June 30, 2012**

**1. Summary of Significant Accounting Policies**

*Reporting Entity*

The accompanying basic financial statements present the financial position and activities of the University of South Alabama (the University), which is a component unit of the State of Alabama.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, at year-end, the basic financial statements include the accounts of the University, as the primary government, and the accounts of the following entities as component units. For quarterly reporting purposes, however, component units are not presented in the University's basic financial statements.

The University has adopted GASB Statement No. 39 which provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. The statement also clarifies reporting requirements for those organizations. Based on these criteria, the University reports the University of South Alabama Foundation (USA Foundation), the University of South Alabama Health Services Foundation (USAHSF), and the USA Research and Technology Corporation (the Corporation) as discretely presented component units in its annual financial statements. For quarterly reporting purposes, discretely presented component unit financial statements are not presented.

The University is also affiliated with the South Alabama Medical Science Foundation. This entity is not considered a component unit of the University under the provisions of GASB Statement Nos. 14 and 39.

*Professional Liability and General Liability Trust Funds*

GASB Statement No. 14 requires the University, as the primary government, to include in its financial statements, as a component unit, organizations that, even though they are legally separate entities, meet certain requirements as defined by GASB Statement No. 14. The medical malpractice liability of the University is maintained and managed in a separate professional liability trust fund (the PLTF) in which the University, USAHSF, and USA HealthCare Management, LLC are the only participants. In accordance with the bylaws of the trust fund, the president of the University is responsible for appointing members of the trust fund policy committee. Additionally, the general liability of the University is maintained and managed in a general liability trust fund (the GLTF) for

**University of South Alabama**  
**Notes to Financial Statements**  
**June 30, 2012**

which the University is responsible, as defined by GASB Statement No. 14. The PLTF and GLTF are separate legal entities which are governed by the University Board of Trustees through the University president. As such, PLTF and GLTF are reported as blended component units in its annual financial statements. For quarterly reporting purposes these entities are not blended into the University's statements.

*USA HealthCare Management, LLC*

In June 2010, the University's Board of Trustees approved the formation of USA HealthCare Management, LLC (the LLC). The University is the sole member of the LLC, which was organized for the purpose of managing and operating on behalf of and as agent for, substantially all of the health care enterprises of the University. The LLC is considered a blended component unit of the University, as defined by GASB Statement No. 14 and, as such, is reported as a blended component unit in its quarterly financial statements.

*University of South Alabama Foundation*

The USA Foundation is a not-for-profit corporation that was organized for the purpose of promoting education, scientific research and charitable purposes, and to assist in developing and advancing the University in furthering, improving and expanding its properties, services, facilities, and activities. Because of the significance of the relationship between the University and the USA Foundation, the USA Foundation is considered a component unit of the University. The Board of Directors of the USA Foundation is not appointed or controlled by the University. The University receives distributions from the USA Foundation primarily for scholarship, faculty and other support. The USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The USA Foundation has a June 30 fiscal year end which differs from the University's September 30 fiscal year end.

*University of South Alabama Health Services Foundation*

The USAHSF is a not-for-profit corporation that exists to provide a group medical practice for physicians who are faculty members of the University and to further medical education and research at the University. Because of the significance of the relationship between the University and USAHSF, USAHSF is considered a component unit of the University. The USAHSF reimburses the University for salaries, certain administrative expenses, Dean's clinical assessment and other support services. The USAHSF presents its financial statements in accordance with standards issued by the FASB.

*USA Research and Technology Corporation*

The Corporation is a not-for-profit corporation that exists for the purpose of furthering the educational and scientific mission of the University by developing, attracting, and retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the

**University of South Alabama**  
**Notes to Financial Statements**  
**June 30, 2012**

relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with the GASB.

In September 2010, the Corporation caused the formation of NovALtech, LLC (NovALtech). NovALtech is a single-member limited liability company that exists for the purpose of engaging in scientific research and development activities and facilitating the transfer and utilization of technology, patents, processes, copyrights, formulae and other know-how. The activities of NovALtech are included in the financial statements of the Corporation.

*Measurement Focus and Basis of Accounting*

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business-type activities, as defined by GASB Statement No. 34. Accordingly, the University's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The University prepares its basic financial statements in accordance with U. S. generally accepted accounting principles, as prescribed by the GASB, including all applicable effective statements of the GASB and all statements of the FASB issued through November 30, 1989 that do not conflict with GASB pronouncements. The University has elected not to apply the provisions of any pronouncements of the FASB issued after November 30, 1989.

*Use of Estimates*

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs could change by a material amount in the near term.

*Cash and Cash Equivalents*

Cash and cash equivalents are defined as petty cash, demand accounts and any short-term investments that take on the character of cash. These investments generally, but not always, have maturities of less than three months and include repurchase agreements and money market accounts.

**University of South Alabama**  
**Notes to Financial Statements**  
**June 30, 2012**

*Investments and Investment Income*

Investments are recorded at fair value. Investments received by gift are recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in investment income.

*Derivatives*

In fiscal 2010, the University adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of the derivatives to be recognized in the basic financial statements

The University has two interest rate swaptions which were entered into in January 2008. As a result of entering into the swaptions, the University received up-front payments. Swaptions are considered hybrid instruments which are required to be bifurcated into the fair value of the derivative and a piece that reflects a borrowing for financial statement purposes, which will accrete interest over time. The University determined that as of the current period, the swaptions were not hedging derivative instruments. Therefore, the swaptions are required to be recorded as investment derivatives, with the change in fair value flowing through the statements of revenues, expenses, and changes in net assets.

*Accounts Receivable*

Accounts receivable primarily result from net patient service revenue. Accounts receivable from affiliates primarily represent amounts due from USAHSF for salaries, and certain administrative and other support services. Accounts receivable – other includes amounts due from students, the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

*Inventories*

The University's inventories primarily consist of bookstore inventories and medical supplies and pharmaceuticals. Bookstore inventories are valued at the lower of cost (moving average basis) or market. Medical supplies and pharmaceuticals are stated at the lower of cost (first-in, first-out basis) or market.

*Capital Assets*

Capital assets are recorded at cost, if purchased, or at fair value at date of donation. Depreciation is provided over the useful life of each class of depreciable asset using the straight-line method. Major renewals and renovations are capitalized. Costs for repairs and maintenance are expensed when incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the gain or loss, if any, is included in nonoperating revenues (expenses) in the statements of revenues, expenses, and changes in net assets.

**University of South Alabama**  
**Notes to Financial Statements**  
**June 30, 2012**

All capital assets other than land are depreciated using the following asset lives:

Buildings, infrastructure and certain building components	40 to 100 years
Fixed equipment	10 to 20 years
Land improvements	8 to 20 years
Library materials	10 years
Other equipment	4 to 15 years

Certain buildings are componentized for depreciation purposes.

Interest costs for certain assets constructed are capitalized as a component of the cost of acquiring those assets.

*Deferred Revenue*

Student tuition, fees, and dormitory rentals are deferred and recognized over the applicable portion of each school term.

Operating lease rental payments related to the University's lease of USA Knollwood Hospital to the Infirmary Health System, Inc. are deferred and recognized as revenue over the term of the lease using the straight-line method.

*Classification of Net Assets*

The University's net assets are classified as follows:

*Invested in capital assets, net of related debt* represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such debt is excluded from the calculation of *invested in capital assets, net of related debt*.

*Restricted, nonexpendable* net assets consist of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted, expendable* net assets include resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

*Unrestricted* net assets represent resources derived from student tuition and fees, state appropriations, net patient service revenue, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff. While unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees, they are available for use at the discretion of the governing board, to meet current expenses for

**University of South Alabama**  
**Notes to Financial Statements**  
**June 30, 2012**

any purpose. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation.

*Scholarship Allowances and Student Financial Aid*

Student tuition and fees, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's basic financial statements based on their classification as either an exchange or nonexchange transaction. To the extent that revenues from such programs are used to satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

*Donor Restricted Endowments*

The University is subject to the "Uniform Prudent Management of Institutional Funds Act (UPMIFA)" of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, on the endowment. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amount as to University determines to be prudent for the purposes for which the endowment was established. The University's endowment spending policy provides that 5% of the three-year invested net asset moving average value (inclusive of net realized and unrealized gains and losses), as measured at September 30, is available annually for spending. The University's policy is to retain the endowment net interest and dividend income and net realized and unrealized appreciation with the endowment after distributions allowed by the spending policy have been made. These amounts, unless otherwise directed by the donor, are included in restricted, expendable net assets.

*Classification of Revenues*

The University has classified its revenues as either operating or nonoperating revenues.

Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, net of scholarship allowances; most federal, state, and local grants and contracts; and net patient service revenue.

**University of South Alabama**  
**Notes to Financial Statements**  
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Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources such as state appropriations, investment income, and gifts.

*Gifts and Pledges*

Pledges of financial support from organizations and individuals representing an unconditional promise to give are recognized in the basic financial statements once all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges generally do not meet eligibility requirements, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and are not recorded as assets until the related gift has been received. Unconditional promises that are expected to be collected in future years are recorded at the present value of the estimated future cash flows.

*Grants and Contracts*

The University has been awarded grants and contracts for which funds have not been received or expenditures made for the purpose specified in the award. These awards have not been reflected in the basic financial statements, but represent commitments of sponsors to provide funds for specific research or training projects. For grants that have allowable cost provisions, the revenue will be recognized as the related expenditures are made. For grants with work completion requirements, the revenue is recognized as the work is completed. For grants without either of the above requirements, the revenue is recognized as it is received.

*Net Patient Service Revenue*

Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payers and others for healthcare services rendered, including estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods, as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

*State Appropriated ARRA Funds*

Pursuant to the American Recovery and Reinvestment Act of 2009 the University was awarded approximately \$10,769,000 annually in 2010 and 2011 through the U. S. Department of Education's State Fiscal Stabilization Fund Program. These funds are billed and recorded as revenue as they are expended and reported in the Statement of Revenues, Expenses and Changes in Net Assets as State Appropriated ARRA Funds. Beginning October 1, 2011, funds are no longer being awarded pursuant to the provisions of this program.

**University of South Alabama**  
**Notes to Financial Statements**  
**June 30, 2012**

*Costs of Borrowing*

Debt financing costs and bond premium and discounts are deferred and amortized using the straight-line method, which approximates the effective interest rate method, over the term of the related bond issue.

*Compensated Absences*

The University accrues annual leave for employees as incurred at rates based upon length of service and job classification.

**2. Income Taxes**

The University is classified as both a governmental entity under the laws of the State of Alabama and as a tax-exempt entity under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Consistent with that designation, no provision for income taxes has been made in the accompanying basic financial statements.

**3. Cash**

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2011, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$8,134,635,000.

**4. Investments**

The investments of the University are invested pursuant to the University of South Alabama "Nonendowment Cash Pool Investment Policy," the "Endowment Fund Investment Policy," and the "Derivatives Policy" (collectively referred to as the University Investment Policies) as adopted by the Board of Trustees. The purpose of the nonendowment cash pool investment policy is to provide guidelines by which pooled funds not otherwise needed to meet daily operational cash flows can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflows and outflows of University operational funds. Further, endowment fund investment policies exist to provide earnings to fund specific projects of the endowment fund, while



**University of South Alabama**  
**Notes to Financial Statements**  
**June 30, 2012**

preserving principal. The University Investment Policies require that management apply the “prudent person” standard in the context of managing its investment portfolio.

Certain investments, primarily related to the University’s endowment assets, are pooled. The University uses this pool to manage its investments and distribute investment income to individual endowment funds.

*Credit Risk and Concentration of Credit Risk*

The University Investment Policies limit investment in corporate bonds to securities with a minimum “A” rating, at the time of purchase, by both Moody’s and Standard and Poor’s. Investments in corporate paper are limited to issuers with a minimum quality rating of P-1 by Moody’s, A-1 by Standard and Poor’s or F-1 by Fitch.

Additionally, the University Investment Policies require that not more than 10% of the cash, cash equivalents and investments of the University be invested in the obligations of a single private corporation and not more than 35% of the cash, cash equivalents and investments of the University be invested in the obligations of a single government agency.

*Interest Rate Risk*

The University’s Investment Policies do not specifically address the length to maturity on investments which the University must follow; however, they do require that the maturity range of investments be consistent with the liquidity requirements of the University.

**5. Derivative Transactions**

In January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds with a counterparty. This transaction was effected through the sale of two swaptions by the University to the counterparty. The transactions resulted in an up-front payment to the University totaling \$9,328,000 in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds in 2014 and 2016, respectively.

*Objective of the derivative transaction*

The objective of this transaction is to realize debt service savings currently from future debt refunding and create an economic benefit to the University.

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*Terms*

A summary of the transactions is as follow:

Issue	Date of Issue	Option Expiration Date	Effective Date of Swap	Termination Date	Payment Amount
Series 2004 bonds	2-Jan-08	16-Dec-13	15-Mar-14	15-Mar-24	\$ 1,988,000
Series 2006 bonds	2-Jan-08	1-Sep-16	1-Dec-16	1-Dec-36	7,340,000

If the counterparty exercises its options in 2014 and 2016, the University would, at the counterparty's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the notional amount, currently \$41,245,000 and \$100,000,000 for the 2004 bonds and 2006 bonds, respectively, of the underlying swap contract. Simultaneously, the University would call outstanding 2004 and 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contract, the University would pay a fixed rate of 4.9753% on the 2004 bonds and 5.0% on the 2006 bonds to the counterparty and would receive payments based on 68% of the one-month LIBOR index. Alternatively, although it is not anticipated that this option would be to the University advantage, the University could, at its option, cash settle the swap and retain its right to refund the 2004 and 2006 bonds.

If the interest rate environment is such that the counterparty chooses to not exercise its option, the swaption would be cancelled and the University would have no further obligation under this agreement.

*Financial statement presentation*

A swaption is considered a hybrid instrument and as such the payment by the counterparty to the University must be bifurcated into two components, a borrowing component and an embedded derivative component, and each component treated separately. The embedded derivative value of the swaption represents the fair value resulting from the fact that the fixed rate stated in the swaption is greater than the at-the-market rate. The initial value of the borrowing is the difference between the upfront payment and the fair value of the embedded derivative and represents the time value to the counterparty for holding the option, or the probability weighted, discounted values of a range of future possible outcomes. The value of the derivative and borrowings at the date of execution of this transaction are as follows:

	2004 Bonds	2006 Bonds
Embedded derivatives	\$ 918,000	3,343,000
Borrowings	1,070,000	3,997,000
	<u>\$ 1,988,000</u>	<u>7,340,000</u>

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The values of the borrowings are included in long-term debt on the University's statements of net assets. Interest is being accreted, and added to the borrowings through the expiration date of the option.

The fair values of the embedded investment derivatives are reported as investment assets if the derivatives are assets or other noncurrent liabilities, depending of the fair values of the derivatives. The change in the fair market values of the derivatives is reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

*Risks associated with this transaction*

Certain risks are inherent to derivative transactions.

*Interest rate risk.* Interest rate risk, as a result of rising short-term interest rates causing higher interest rate payments, is effectively hedged by the University's fixed rate bonds. If the counterparty exercises its options, the underlying swaps are expected to effectively hedge the potentially higher payments on VRDNs as well. The University is also subject to interest rate risk as a result of changes in long-term interest rates, which may cause the value of fixed rate bonds or interest rate derivatives to change. If long-term interest rates fall subsequent to the execution of this transaction, the value of the swaptions will change, with negative consequences for the University.

*Market access risk.* This transaction assumes that VRDNs will be issued as a replacement of the 2004 and 2006 bonds. If the University is unable to issue variable rate bonds after the counterparty exercises its right under the swaptions, the University would still be required to begin making periodic payments on the swaps, even though there are no related bonds. Alternatively, the University could choose to liquidate the swaps, which may create a substantial cash outlay.

*Basis risk.* If the counterparty exercises its option, there is a risk that the floating payments received under the swaps will not fully offset the variable rate payments due on the assumed VRDNs.

*Credit risk.* Although the underlying swap exposes the University to credit risk should the swap be executed, the swaption itself does not expose the University to credit risk. If the option is exercised on one or both issues, the University would begin to make payments on the appropriate notional amount of the underlying swap contract. In that situation, if the fair value of the swap is positive, the University would be exposed to credit risk on the swap in the amount of its fair value. As of the current date, the swap counterparty was rated Aa3 by Moody's investors Services and AA by Standard and Poor's Rating Services.

*Termination risk.* The University may be required to terminate the swaptions or swaps under certain circumstances, such as credit downgrades or other events specified in the contracts. In the event that a position needs to be terminated, the University may owe a

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substantial amount of money to terminate the contracts. As of the current date, no events of termination have occurred.

**6. Bonds Payable**

Bonds payable consisted of the following at the end of the current period:

University Tuition Revenue Bonds, Series 1999 Capital Appreciation, 4.7% to 5.25%, payable November 2011 through November 2018

University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024

University Tuition Revenue Refunding and Capital Improvement bonds, Series 2006, 5.00%, payable through June 2037

University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.

University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81%, payable through August 2030.

University Facilities Revenue Capital Improvement Bond, Series 2012-A, 2.92%, payable through August 2032.

University Facilities Revenue Capital Improvement bond, Series 2012-B, 2.14%, payable through February 2018.

Borrowing arising from swaption, Series 2004 Bonds

Borrowing arising from swaption, Series 2006 Bonds

Substantially all student tuition and fee revenues secure University bonds. Additionally, security for Series 2008 bonds include Children's and Women's Hospital revenues in amounts not exceeding \$10,000,000. Series 1999 Current Interest Bonds began maturing November 2002, and Series 1999 Capital Appreciation Bonds began maturing November 2011. Series 1999 Bonds are not redeemable prior to maturity. Series 2004 Bonds began maturing in March 2005 and are redeemable beginning in March 2014. Series 2006 Bonds begin maturing in December 2024 and are redeemable beginning in December 2016. Series 2008 Bonds began maturing in August 2009 and are redeemable beginning September 2018. Series 2010 bonds began maturing in August 2011 and are redeemable beginning in February 2020.

In January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds. This transaction was effected through the sale of two swaptions by the University to a counterparty. The proceeds from each sale,

**University of South Alabama**  
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totaling \$9,328,000, consist of two components, a time value and an intrinsic value. The intrinsic value of the payment is considered a borrowing and is included in long-term debt. As a result of this transaction, the counterparty has the option to force the University to enter into swap arrangements with respect to its Series 2004 and 2006 bonds at their respective redemption dates. See footnote five for a complete description of this transaction.

The University defeased certain indebtedness during 1978 and 1984 by depositing funds in escrow trust accounts sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. Neither the assets of the escrow trust accounts nor the defeased indebtedness is included in the accompanying statements of net assets.

The University is subject to restrictive covenants related to certain note and bonds payable. As of the end of the current period, management believes the University was in compliance with such financial covenants.

## **7. Net Patient Service Revenue**

The Hospitals have agreements with governmental and other third-party payers that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospitals' billings at established rates for services and amounts reimbursed by third-party payers.

A summary of the basis of reimbursement with major-third party payers follows:

*Medicare* – Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Hospitals are reimbursed for both direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Hospitals generally are reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospitals and audits by the Medicare fiscal intermediary. The cost report for the USA Medical Center has been audited and settled through 2008. The Medical Center cost report has, however, been reopened related to disproportionate share issues affecting all PPS acute care hospitals nation-wide. The cost report for USA Children's and Women's Hospital has been audited and settled through 2009. Revenue from the Medicare program accounted for approximately 14% and 13% of the Hospitals' net patient service revenue for the year ended June 30, 2012 and 2011, respectively.

*Blue Cross* – Inpatient services rendered to Blue Cross subscribers are paid at a prospectively determined per diem rate. Outpatient services are reimbursed under a cost

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reimbursement methodology. For outpatient services, the Hospitals are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospitals and audits thereof by Blue Cross. The Hospital's Blue Cross cost reports have been audited through 2010 and settled for all fiscal years through 2009. Revenue from the Blue Cross program accounted for approximately 17% and 18% of the Hospitals' net patient service revenue for the years ended June 30, 2012 and 2011, respectively.

*Medicaid* – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all-inclusive prospectively determined per diem rates. Outpatient services are reimbursed based on an established fee schedule.

The Hospitals qualify as Medicaid essential providers and, therefore, also receive supplemental payments based on formulas established by the Alabama Medicaid Agency. There can be no assurance that the Hospitals will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Revenue from the Medicaid program accounted for approximately 25% and 29% of the Hospital's net patient service revenue for the years ended June 30, 2012 and 2011.

*Other* – The Hospitals have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The bases for payments to the Hospitals under these agreements include discounts from established charges and prospectively determined daily and case rates.

## **8. Hospital Lease**

The University and Infirmity Health System, Inc. (the Infirmity) have entered into a Lease Agreement (the Lease) in which the University agreed to lease certain land, buildings and equipment used in connection with the operation of its USA Knollwood Hospital campus to the Infirmity. The lease is effective through March 2056 with an automatic renewal, for an additional forty-nine years, through March 2105; and may be canceled by the Infirmity after the initial fifty-year term. Upon the expiration or termination of the lease, the assets, along with responsibility for the operation of such assets, will revert to the University and the University will pay the Infirmity, at fair market value, for any capital improvements to the assets. Additionally, the lease may be terminated at any time, at the option of the Infirmity, in the event that a change in any law, statute, rule, or a regulation of any governmental or other regulatory body or any third-party payment program is deemed by the Infirmity to be significant, as defined by the lease. University management does not anticipate that this option will be exercised by the Infirmity.

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In January 2009, the Infirmary and the University entered into a "First Amendment to Lease Agreement" (the Amendment). The Amendment deferred the original payment terms of the lease for two years such that during the period from January 2009 to December 2010, annual lease payments are reduced to \$1 annually. Beginning in January 2011, the original payment schedule resumed. The payment schedule and narrative presented below reflect these revised terms.

The total amount of lease payments due the University was based on the fair market value of the appraised assets, \$32,418,000. The allocation of the appraised fair market value was \$29,370,000 for the land and buildings and \$3,048,000 for medical equipment, office furnishings and other equipment.

Upon execution of the lease, a partial lease prepayment in the amount of \$7,418,000 was made by the Infirmary. In addition to the prepayment, required lease payments by the Infirmary to the University are as follows (payable monthly):

- Months one through thirty-three of the initial lease term - \$1,000,000 annually (\$83,333 monthly)
- Months thirty-four through fifty-seven of the initial lease term - \$1 annually
- Months fifty-eight through eighty-four of the initial lease term - \$1,000,000 annually (\$83,333 monthly)
- Years eight through twelve of the initial lease term - \$1,250,000 annually
- Years thirteen through seventeen of the initial lease term - \$1,500,000 annually
- Years eighteen through thirty-two of the initial lease term - The monthly payment will be the remaining unpaid balance of the lease payments amortized over years sixteen through thirty using an interest rate calculated from the immediately previous 15-year monthly average of the 20-year state and local tax exempt general obligation bond issues as determined by the United States Federal Reserve System. The remaining unpaid balance at the end of year fifteen, \$17,401,000, is derived by taking the initial unpaid balance of rent due after the partial lease prepayment, \$25,000,000, plus accrued interest at an annual rate of 3.75%, less monthly lease payments.
- Years thirty-three through fifty of the initial lease term - \$1 annually
- Year fifty-one through ninety-nine of the extended lease term - \$1 annually

For reporting purposes, management assumed that the interest rate utilized in years sixteen through thirty would remain at 3.75%. This assumption will be reviewed, and amortization schedules adjusted, if necessary, when the actual interest rate is determined.

In order to properly report this transaction, the University has bifurcated the lease into an equipment component and a real property component, as required by FASB Statement No. 13, based on the appraised fair value of each such component. The financial considerations of the lease are then applied to, and the accounting treatment is determined for, each component based on this bifurcation.

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The equipment component of the lease is considered a capital lease (sales-type lease) and as such has been recorded as a capital lease receivable, both current and noncurrent, in the accompanying basic financial statements of the University. The capital equipment lease is being amortized through fiscal 2013 at a fixed rate of 3.75%.

The component of the lease attributable to land and buildings is considered an operating lease. As such, lease revenue will be recorded as it is earned over the ninety-nine year lease term (the fifty-year initial term and the forty-nine year automatic renewal term). The expected total lease payments to be received over the next twenty-eight years are approximately \$43,788,000. These total receipts will be recognized as revenue in the amount of approximately \$485,000 annually. Payments received in excess of this amount, along with cash and other consideration already received in the amount of \$6,327,000, will be deferred and amortized over the ninety-nine year lease term.

## **9. Employee Benefits**

### *Retirement and Pension Plans*

Employees of the University are covered by two pension plans: a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement System of the State of Alabama (TRS), and a defined contribution pension plan.

Permanent employees of the University participate in TRS, a public retirement system created by an act of the State Legislature, with benefit provisions established by the Code of Alabama. Responsibility for general administration and operation of the TRS is vested in the Board of Control (currently 14 members). Benefits fully vest after 10 years of full-time, permanent employment. Vested employees may retire with full benefits at age 60 or after 25 years of service. Participating retirees may elect the maximum benefit, or may choose among four other monthly benefit options. Under the maximum benefit, participants are allowed 2.0125% of their average final salary (average of three highest years of annual compensation during the last ten years of service) for each year of service. The TRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150, or by calling (334) 832-4140.

All employees covered by this retirement plan must contribute 7.25% of their eligible earnings to TRS. An actuary employed by the TRS Board of Control establishes the employer-matching amount annually.

The defined contribution pension plan covers certain academic and administrative employees employed prior to October 1, 2009, and participation by eligible employees is optional. Under this plan, administered by Teachers Insurance and Annuity Association –



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College Retirement Equities Fund (TIAA-CREF), contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay.

Employees of the LLC may, at their option, participate in a defined contribution plan. Under this plan, eligible employees may make contributions to the plan which are matched, dollar-for-dollar, by the LLC up to 5% of compensation.

*Compensated Absences*

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon termination of employment, employees are paid all unused accrued vacation and paid time off at their regular rate of pay up to a maximum of two times their annual accumulation rate. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

*Other Postretirement Employee Benefits*

In September 2003, the State of Alabama Legislature passed legislation that requires all colleges and universities to fund the healthcare premiums of its participating retirees. In prior years, such costs have been paid by the State. Beginning in October 2003, the University has been assessed a monthly premium by the Public Education Employees' Health Insurance Plan (PEEHIP) based on the number of retirees in the system and an actuarially determined premium.

**10. Risk Management**

The University, USAHSF and the LLC participate in the professional liability trust fund and the University and the LLC participates in the general liability trust fund. Both funds are administered by an independent trustee. These trust funds are revocable and use contributions by the University, USAHSF and the LLC, together with earnings thereon, to pay liabilities arising from the performance of its employees, trustees and other individuals acting on behalf of the University. If the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance will be distributed to the University, USAHSF and the LLC in proportion to contributions made.

Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. These liabilities are generally based on actuarial valuations and are reported at their present value.

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The University and HCM participate in a self-insured health plan, administered by an unaffiliated entity. Contributions by the University and the LLC and their employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

**11. Other Related Party**

The South Alabama Medical Science Foundation (SAMSF) is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. SAMSF reimburses the University for certain administrative expenses and other related support services.

**12. Commitments and Contingencies**

*Grants and Contracts*

The University had been awarded certain amounts in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements as the eligibility requirements of the award have not been met. Advances include amounts received from grant and contract sponsors which have not been earned under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by Federal agencies. The University's management believes any adjustment from such audits will not be material.

*Letter of Credit*

In connection with the Hospitals' participation in the State of Alabama Medicaid Program, the University has established a \$77,000 irrevocable standby letter of credit with Wells Fargo Bank. The Alabama Medicaid Agency is the beneficiary of this letter of credit. No funds are currently advanced under this letter.

*Litigation*

Various claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion the resolution of these matters will not have a material effect on the financial position or the statement of revenues, expenses, and changes in net assets of the University.

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*Rent Supplement Agreement*

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. These agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations. As of the end of the current period, no amounts were payable pursuant to these agreements.

*State Bond Issue*

The State of Alabama has made allocations to the University from bonds issued in prior years. Pursuant to the allocations, funds are available to the University for certain future construction costs. The allocations have not been reflected in the accompanying financial statement.

*FICA Refund*

In March 2010, the Internal Revenue Service (the Service) ruled that for all tax periods ending before April 2005, the medical residents and fellows working at the USA hospitals could be treated under the student exception with respect to FICA taxes. Historically, the Service had held that residents and fellows were not exempt for FICA taxes. As a result of this ruling, the University has recorded a receivable of \$5,213,000 representing the employer's portion of FICA contributions from March 1996 to April 2005 and any related interest.

**13. Significant New Accounting Pronouncements**

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. GASB Statement No. 54 revised classification requirements related to fund balance reporting and was effective for the year ended September 30, 2011. The adoption of Statement No. 54 did not have a material impact on the University's basic financial statements.

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multi-employer other post-employment benefits plans and will be effective for the year ending September 30, 2012. In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB Statement No. 60 addresses accounting and reporting issues related to public-public and public-private service concession arrangements and will be effective for the year ending September 30, 2012. In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity*:

**University of South Alabama**  
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**June 30, 2012**

*Omnibus*. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and will be effective for the year ending September 30, 2013. In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature accounting and financial reporting guidance that is included in certain FASB and AICPA authoritative literature, where such guidance does not conflict with or contradict GASB pronouncements. In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Statement No. 63 renames the Statement of Net Assets as the Statement of Net Position and requires that deferred inflows and outflows of resources be reported as components of the Statement of Net Position and will be effective for the year ending September 30, 2013. In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider and will be effective for the year ending September 30, 2012. In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities and will be effective for the year ending September 30, 2014. In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012*. GASB Statement No. 66 resolves conflicting guidance that resulted from the issuance of GASB Statements No. 54 and 62 and will be effective for the year ending September 30, 2014.

The effect of the implementation of GASB Statements Nos. 57, 60, 61, 62, 63, 64, 65 and 66 on the University has not been determined.

**University of South Alabama**  
**Summary Comparison of Fund Financial Reports to**  
**GASB Statement 34 Financial Statements**  
**June 30, 2012 and 2011**

	Nine Months Ended June 30,		Year Ended September 30,
	2012	2011	2011
Net increase (decrease from operating (current unrestricted funds - fund format	\$ 1,383,989	\$ (6,174,412)	\$ (7,689,241)
Transfer from University reserves to fund 9.5% proration in 2010	-	-	2,998,417
Net operating funds (fund accounting format)	\$ 1,373,989	\$ (11,217,706)	\$ (4,690,824)
Add:			
Debt service	2,430,619	4,450,615	6,418,725
Equipment*	-	-	23,493,814
Depreciation	(15,451,534)	(18,134,754)	(31,566,358)
Plant Fund revenues	20,635,264	14,815,037	8,650,697
Other, net	5,135,662	10,820,808	(4,681,054)
Net increase (decrease) in net assets - GASB Statement 34/35	<u>\$ 14,124,000</u>	<u>\$ 734,000</u>	<u>\$ (2,375,000)</u>

\* Netted for quarterly reporting purpose

**Detailed Reconciliation of Fund Financial Reports to  
GASB Statement No. 34 Financial Statements**

**Nine Months Ended June 30, 2012**

Net increase in operating (current unrestricted) funds - fund format		\$ 1,383,989
Transfer from University reserves to fund 3% proration		<u>-</u>
Net decrease		\$ 1,373,989
Add back:		
Debt service:		
Principal payment on long term debt	4,785,000	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	<u>(2,354,381)</u>	2,430,619
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(24,080,675)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>8,629,141</u>	<u>(15,451,534)</u>
		(11,646,926)
Add:		
Other lant fund income/transfers (net) not previously combined with operating:		20,635,264
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	3,171,166	
Loan fund	226,417	
Restricted fund	<u>1,738,079</u>	<u>5,135,662</u>
Net increase in net assets - GASB Statement No. 34 Format		<u>\$ 14,124,000</u>

\* Netted for quarterly reporting purpose

**Detailed Reconciliation of Fund Financial Reports to  
GASB Statement No. 34 Financial Statements**

**Nine Months Ended June 30, 2011**

Net decrease in operating (current unrestricted) funds - fund format		\$ (6,174,412)
Transfer from University reserves to fund 3% proration		<u>-</u>
Net decrease		\$ (11,217,706)
Add back:		
Debt service:		
Principal payment on long term debt	4,650,000	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	<u>(199,385)</u>	4,450,615
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(21,659,754)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>3,525,000</u>	<u>(18,134,754)</u>
		(24,901,845)
Add:		
Other plant fund income/transfers (net) not previously combined with operating:		14,815,037
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	9,234,220	
Loan fund	796,081	
Restricted fund	790,507	<u>10,820,808</u>
Net increase in net assets - GASB Statement No. 34 Format		<u>\$ 734,000</u>

\* Netted for quarterly reporting purpose

**Detailed Reconciliation of Fund Financial Reports to  
GASB Statement No. 34 Financial Statements**

**Year Ended September 30, 2011**

Net decrease in operating (current unrestricted) funds - fund format		\$ (7,689,241)
Transfer from University reserves to fund 3% proration		<u>2,998,417</u>
Net decrease		\$ (4,690,824)
Add back:		
Debt service:		
Principal payment on long term debt	\$ 6,404,000	
Actual payment of principal and interest in in excess of amounts transferred (timing issue)	<u>14,725</u>	6,418,725
Equipment purchases		23,493,814
Depreciation of buildings and equipment:		
Computed depreciation	(31,843,313)	
Non-capitalized plant fund expenditures	(4,423,045)	
Transfers of funded depreciation	<u>4,700,000</u>	<u>(31,566,358)</u>
		(6,344,643)
Add:		
Other plant fund income/transfers (net) not previously combined with operating:		8,650,697
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	(4,146,289)	
Loan fund	(58,951)	
Restricted fund	<u>(475,814)</u>	<u>(4,681,054)</u>
Net increase in net assets - GASB Statement No. 34 Format		<u>\$ (2,375,000)</u>



**RESOLUTION**  
**ELECTION OF DIRECTORS**  
**OF THE USA RESEARCH AND TECHNOLOGY CORPORATION**

**WHEREAS**, pursuant to the Amended Bylaws of the USA Research and Technology Corporation (“Corporation”), the Board of Trustees of the University of South Alabama (“University”) shall elect directors of the Corporation who are not officers, employees or trustees of the University, and

**WHEREAS**, the Board of Directors of the Corporation is authorized to nominate new directors consistent with the aforesaid for consideration and confirmation by the Board of Trustees of the University, and

**WHEREAS**, the Board of Directors of the Corporation has nominated for consideration and confirmation by the Board of Trustees of the University Mr. Joseph J. Adamo and Mr. Donald L. Langham for four (4) year terms beginning June 2012, and these persons have agreed to serve in this capacity if elected,

**THEREFORE, BE IT RESOLVED** that the Board of Trustees of the University of South Alabama does hereby elect as Directors of the USA Research and Technology Corporation Mr. Joseph J. Adamo and Mr. Donald L. Langham, both for four (4) year terms beginning June 2012.

## RESOLUTION

### **AFFILIATION AGREEMENT BETWEEN THE UNIVERSITY OF SOUTH ALABAMA AND THE USA RESEARCH AND TECHNOLOGY CORPORATION**

**WHEREAS**, the USA Research and Technology Corporation (“USARTC”) was established as a non-profit, educational and charitable organization for the purposes of serving the University of South Alabama (“University”) and promoting the mission of the University pursuant to USARTC’s Articles of Incorporation, by furthering the educational and scientific missions of University through support of its academic programs, scientific research and development initiatives, and enhancement of University’s educational and training opportunities through, among other things, promotion of development, growth, and retention of high-technology industries and research in Alabama, and to create, develop, construct, operate, manage, and finance one or more research and technology parks to further the scientific research activities of University, and

**WHEREAS**, University and USARTC have a history of interaction and cooperation that has served the interests of University, and

**WHEREAS**, University and USARTC anticipate that University will provide USARTC with specified services and facilities with which to carry out its responsibilities in exchange for the development, financial, and other service, support, and assistance USARTC shall provide University, and

**WHEREAS**, the Board of Directors of USARTC have approved the Affiliation Agreement as it defines the arrangements concerning services, facilities, premises, and activities between University and USARTC, and

**WHEREAS**, the Board of Trustees of the University of South Alabama wishes to define the aforementioned arrangements with USARTC as well,

**THEREFORE, BE IT RESOLVED** that the Board of Trustees of the University of South Alabama hereby approves and adopts the Affiliation Agreement between University of South Alabama and the USA Research and Technology Corporation as attached hereto.




AUG 27 2012

UNIVERSITY OF SOUTH ALABAMA  
**CAMPUS MEMORANDUM**  
**UNIVERSITY OF SOUTH ALABAMA**

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**Date:** August 23, 2012

**To:** President V. Gordon Moulton

**From:** M. Wayne Davis 

**Subject:** Agenda Item for August 21, 2012 University of South Alabama Board of Trustees Meeting -Affiliation Agreement Between University of South Alabama and the USA Research and Technology Corporation

Attached is a resolution for consideration by the Board of Trustees of the University of South Alabama concerning the adoption of the Affiliation Agreement Between University of South Alabama and the USA Research and Technology Corporation which discusses obligations and expectations of each to the other. This Affiliation Agreement has been approved by the Board of Directors of the USA Research and Technology Corporation. With your approval, this item will be presented to Board of Trustees for approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachment

Affiliation Agreement  
Between  
University of South Alabama  
and the  
USA Research and Technology Corporation

This Agreement is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2012 (the Effective Date) by and between University of South Alabama (hereinafter "USA" or "University"), a public body corporate, and the USA Research and Technology Corporation, a corporation duly organized under the laws of the State of Alabama (hereinafter "USARTC").

**RECITALS**

WHEREAS, USA is a state institution of higher learning established pursuant to the laws of the State of Alabama; and

WHEREAS, USARTC has been established as a non-profit, educational and charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986 for the purposes outlined in its Articles of Incorporation, a copy of which is attached to this Agreement as "Exhibit A;" and

WHEREAS, USARTC serves University and promotes its mission as indicated in "Exhibit A," by, among other things, furthering the educational and scientific mission of University through support of its academic programs, scientific research and development initiatives, and enhancement of University's educational and training opportunities through, among other things, promotion of development, growth and retention of high technology industries and research in Alabama, and to create, develop, construct, operate, manage, and finance one or more research and technology parks to further scientific research activities of University; and

WHEREAS, USARTC has the responsibility as an affiliated entity to use its resources in a responsible and effective manner to further the mission of University and to support University; and

WHEREAS, University and USARTC have a history of interaction and cooperation that has served the interests of University; and

WHEREAS, USA has the authority and right to enter into agreements with affiliated 501(c)(3), not-for-profit organizations; and

WHEREAS, University and USARTC anticipate that University will provide USARTC with specified services and facilities with which to carry out its responsibilities in exchange for the development, financial, and other service, support and assistance USARTC shall provide University; and

WHEREAS, USA and USARTC desire to define the arrangements concerning services, facilities, premises and activities as set forth in this Agreement.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, University and USARTC do hereby agree as follows:

## **ARTICLE 1. PERSONNEL AND SERVICES**

USARTC may utilize, with the approval of the President of University, such University administrative, professional and other employees from time to time as are needed to carry out the purposes of USARTC as agreed by University. See Exhibit B, attached hereto.

## **ARTICLE 2. USARTC OBLIGATIONS**

2.1 USARTC agrees to provide the services and compensate University as outlined in the First Amendment to Agreement for Services between University of South Alabama and USA Research and Technology Corporation, attached hereto as "Exhibit B."

2.2 USARTC agrees that it may only use its resources to advance University's mission as outlined in its Articles of Incorporation. USARTC further agrees that it may not amend its Articles of Incorporation or By-Laws during the life of this Agreement unless University consents to the proposed amendment.

2.3 USARTC agrees to maintain its financial and accounting records in accordance with Generally Accepted Accounting Principles. USARTC agrees to retain all books, accounts, reports, files and other records of USARTC relating to this Agreement, if any, and make such records available at all reasonable times for inspection and audit by University, or their agents, during the term of and for a period of five years after the completion of this Agreement.

2.4 USARTC agrees to submit to an audit, by request of University, of USARTC's books, records, and expenditures, if any. University shall have the right to audit all records, financial and otherwise, if any, of USARTC to assure that funds, resources and services provided by University are expended for the ultimate benefit of University and are expended by USARTC for purposes consistent with the terms of this Agreement. If University funds are expended for purposes inconsistent with this Agreement, USARTC, upon demand by University, shall reimburse University for such misused funds, and University shall have all rights provided by law, including the right to suspend further provision of resources under this Agreement and to terminate this Agreement.

2.5 To the extent that USARTC engages in fundraising on behalf of University, USARTC agrees to accept or solicit only those gifts that are consistent with University's missions, goals or objectives.

2.6 USARTC shall not accept any gift, donation, grant or enter into any transaction that creates any liability for University, without advance written approval of the University President.

2.7 USARTC acknowledges and agrees that University owns all copyright, interest in and right to all trademarks, trade names, logos, and service marks developed by University for use by USARTC, including all such trademarks, service marks, and trade names historically associated with USARTC.

2.8 USARTC shall adopt and maintain a conflict of interest policy.

2.9 USARTC shall provide the University President reasonable notice of any regular, annual, or special meetings of its Board of Directors or of its Executive Committee, and the President or his designee shall have the right to attend any such meetings as well as the meetings of any other USARTC committees.

2.10 If USARTC should cease to exist, any USARTC assets donated to USARTC for the benefit of University must be transferred to University or to another 501(c)(3) non-profit entity designated by University through its Board of Trustees.

2.11 University may from time to time make other requests of USARTC or seek other assistance from USARTC in accomplishing the mission of University, and USARTC agrees that it will not unreasonably deny any such requests or assistance.

### **ARTICLE 3. UNIVERSITY OBLIGATIONS AND OTHER IN-KIND SUPPORT**

3.1 University grants USARTC a non-exclusive, non-transferable license to use University trademarks, service marks, and logos consistent with University policy and its agreement with any outside contractors pertaining to the licensing thereof, including but not limited to a license to use marks developed by University for use by USARTC.

3.2 University grants USARTC an exclusive, transferable license to use University trademarks, service marks, and logos historically associated with USARTC or developed by University or USARTC for USARTC's use.

3.3 University agrees to designate USARTC as an official affiliated entity of University.

3.4 University shall provide USARTC such other rights, privileges or benefits as it may under applicable law and as the University President, in the President's sole discretion, may determine will assist USARTC in discharging its obligations under this Agreement.

3.5 The University President shall be an ex-officio director on the Board of USARTC and President of USARTC, and shall be given reasonable notice of any meeting of the Board or Executive Committee.

3.6 Subject to the availability of funding and the budget process, University agrees to provide USARTC with resources suitable in University's judgment for the accomplishment of USARTC's activities for University's benefit, and may include services and supplies, staff

support, office space, and such financial support as agreed upon between the parties from time to time. The amount and nature of such resources shall be determined annually, on a fiscal year basis, in connection with the program planning and budget processes of University and USARTC. No provision in this Agreement shall be construed to give USARTC any legal entitlement to any University funding, personnel or other resources in any particular fiscal year. All University assets, including personal property, made available to USARTC under the terms of this Agreement shall remain the property of University unless sold, conveyed or transferred to USARTC by way of a separate written agreement.

3.7 The University President will encourage all parts of University to collaborate with USARTC in implementing USARTC's programs and services.

3.8 The University President agrees to inform USARTC on a regular basis of University's needs and priorities.

#### **ARTICLE 4. COMPLIANCE**

USARTC shall comply with any and all applicable federal, state, and local laws and regulations.

#### **ARTICLE 5. INDEMNIFICATION**

USARTC agrees to indemnify and hold harmless University, including its agents and employees from any and all claims, demands, suits or liabilities of any nature, or on account of any of the actions or inactions of USARTC. USARTC agrees to reimburse University and its agents and employees for any expenses incurred by them or as a result of legal action or inaction, including reasonable attorney fees, provided funds are available for such purpose.

#### **ARTICLE 6. INSURANCE**

USARTC agrees to carry insurance satisfactory to University through the appropriate and approved University liability trust fund or outside agency to cover directors' and officers' liability, special event liability, premises liability, and general liability.

#### **ARTICLE 7. REPORTING**

USARTC shall, within one hundred twenty (120) days following the close of its Fiscal Year, submit a detailed annual report of the work and financial condition of USARTC to the President of University, and any other reports as required by this Agreement, by the Bylaws of USARTC, or by applicable law.

#### **ARTICLE 8. TERMINATION AND RENEWAL**

8.1 This Agreement shall have a term of five years, if not renewed by mutual consent of the parties before that date.

8.2 This Agreement may be terminated for any reason by written approval and consent of University and USARTC upon ninety (90) days written notice.

8.3 Either party may terminate this Agreement for cause, including a breach of this Agreement, upon thirty (30) days written notice.

8.4 If this Agreement is terminated for any reason, including because the Agreement has expired without being renewed under Article 8.1, the following articles shall survive the termination: Articles 2.10, 5, 8 and 9.

8.5 The USARTC agrees to cease using the University's name, marks and logos in the event the USARTC dissolves, ceases to be a non-profit corporation, ceases to be recognized as a tax exempt entity under Section 501(c)(3) of the Internal Revenue Code, or this Agreement is terminated.

## **ARTICLE 9. MISCELLANEOUS PROVISIONS**

9.1 This Agreement shall be construed, governed, interpreted and applied in accordance with the laws of the State of Alabama.

9.2 The parties agree that USARTC is not the agent or employee of University, and nothing in this Agreement creates an employment or other agency relationship between the parties. USARTC is not a subsidiary of University and is not directly or indirectly controlled by University.

9.3 University and the USARTC agree that USARTC's donor and giving records and any other financial or commercial information possessed by USARTC or provided by USARTC to University concerning individuals or corporations that provide USARTC financial support are confidential and proprietary. Unless required to disclose such information by applicable law, University and USARTC agree not to disclose to third parties and to keep confidential the giving records, giving history, and financial or commercial information of individuals and corporations that provide financial support to USARTC.

9.4 In the performance of this Agreement, USARTC shall not deny opportunities, employment or otherwise, to any person on the basis of race, color, religion, national origin, age, sex, sexual orientation, disability status, genetic information or veteran status.

9.5 The parties hereto acknowledge that this Agreement sets forth the entire Agreement and understanding of the parties hereto as to the subject matter hereof, and shall not be subject to any change or modification except by the execution of a written instrument subscribed to by the parties hereto.

9.6 The provisions of this Agreement are severable, and in the event that any provisions of this Agreement shall be determined to be invalid or non-enforceable under any



controlling body of the law, such invalidity or non-enforceability shall not in any way affect the validity or enforceable nature of the remaining provisions hereof.

9.7 The failure of either party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other party.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals and duly executed this Agreement the day and year set forth below.

University of South Alabama

USA Research and Technology Corporation

By: \_\_\_\_\_

By: V. Gordon Moulton

Name: M. Wayne Davis

Name: V. Gordon Moulton

Title: Vice President of Financial Affairs

Title: President

Date: \_\_\_\_\_

Date: 8/30/12

By: \_\_\_\_\_

Name: James A. Yancey

Title: Chair Pro Tempore

Date: \_\_\_\_\_

**Exhibit A**

**2002046223 Book-5175 Page-0116  
Total Number of Pages: 9**

**ARTICLES OF INCORPORATION  
OF  
USA RESEARCH AND TECHNOLOGY CORPORATION  
(a nonprofit corporation)**

For the purpose of forming a nonprofit corporation under the Alabama Nonprofit Corporation Act and any act amendatory thereof, supplementary thereto or substituted therefor (hereinafter referred to as the "Act"), the undersigned incorporator does hereby sign, verify and adopt these Articles of Incorporation, and, upon the filing for record of these Articles of Incorporation in the Office of the Judge of Probate of Mobile County, Alabama, the existence of a nonprofit corporation under the name set forth in Article I hereof shall commence.

**ARTICLE I.**

The name of the corporation is USA Research and Technology Corporation (hereinafter referred to as the "Corporation").

**ARTICLE II.**

The Corporation shall have perpetual existence; provided, however, that the Corporation's existence may be terminated pursuant to the provisions of the Act and of these Articles of Incorporation relevant to the dissolution of the Corporation.

**ARTICLE III.**

The objects and purposes of the Corporation and the powers which it may exercise are as follows:

(a) The Corporation is organized exclusively for charitable, educational and scientific purposes within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986 and the Treasury Regulations promulgated thereunder, as they now exist or as they may hereafter be amended from time to time (the "Code"), and to promote and advance such purposes by any activity in which a corporation organized under the Act may engage, either directly or by contributions to organizations qualifying as exempt organizations under § 501(c)(3) of the Code, and to receive and maintain a fund or funds of real or personal property, or both, and to administer and apply the income and principal thereof, within the United States of America, for such purposes.

(b) Without in any way limiting the foregoing, the Corporation is organized and shall be operated exclusively as a "supporting organization" within the meaning of Section 1.509(a)-4 of the Treasury Regulations for the benefit of and to further the purposes of the University of South Alabama (the "University") as follows:

(i) To further the educational and scientific mission of the University through support of its academic programs, scientific research and development initiatives, and other related activities and to enhance the educational and training opportunities available to the University's students and faculty;

(ii) To promote the University and its colleges, schools and departments and to assist them in the development and improvement of curricula, academic programs and physical facilities for the benefit of the University's students and faculty and the attainment of greater educational opportunities and a more comprehensive learning experience;

(iii) To further the development of and facilitate funding for infrastructure and services in Mobile, Alabama to attract high-technology enterprises to the local community that will offer students and faculty a practical, real-world learning experience and enhance the educational and professional opportunities available to them;

(iv) To promote the development, growth and retention of high technology industries and research in Alabama that will provide professional and career opportunities attractive to the University's students and faculty and serve as an inducement for them to remain in Alabama;

(v) To advance the scientific education and training of the University's students and to promote scientific research and development in the State of Alabama;

(vi) To attract nationally prominent scientists, researchers and faculty to the University;

(vii) To provide fellowship and internship opportunities for the University's students and faculty in the scientific research and high-technology areas;

(viii) To create, develop, construct, operate, manage and finance one or more research and technology parks, technology enterprise centers and other facilities and operations which further scientific research activities of the University and contribute to the development of high-technology businesses in the State of Alabama;

(ix) To further the University's scientific research and development activities and to facilitate the efficient transfer and utilization of University developed technology, patents, processes, copyrights, formulae and other know-how for the maximum public benefit;

(x) To further the University's efforts to publish and disseminate the results of scientific research and development conducted by its students and faculty; and

(xi) To solicit, accept, invest and administer gifts, funds, property and assets of any kind, quality or value for the benefit and to further the charitable purposes of the Corporation, and in connection therewith, to establish and manage accounts, deposits, endowments and other vehicles for holding and managing the property and assets of the Corporation.

(c) The Corporation shall possess and may exercise all the powers and privileges vested in a nonprofit corporation by the Act or by any other law of the State of Alabama, together with all powers necessary or convenient to the conduct, promotion or attainment of the activities or purposes for which the Corporation is organized; provided, however, that the activities conducted by the Corporation shall be subject to any restrictions set forth in these Articles of Incorporation and the Corporation shall not conduct or carry on any activities not permitted to be carried on by an organization exempt from Federal income tax under §§ 501(c)(3) and 509(a)(3) of the Code or by an organization, contributions to which are deductible under § 170(c)(2) of the Code.

The foregoing clauses of this Article III shall be construed equally as objects, purposes and powers and the foregoing enumeration of specific objects, purposes or powers shall not be construed or held to limit or restrict in any manner the powers of the Corporation expressly conferred by law, except as expressly stated.

#### ARTICLE IV.

Notwithstanding any other provision of these Articles of Incorporation, no part of the earnings of the Corporation shall inure to the benefit of any director, officer or other person holding a position of influence with the Corporation, or to any private individual (except that reasonable compensation may be paid for services rendered to or for the benefit of the Corporation in connection with the accomplishment of one or more of its stated charitable purposes), and no director or officer of the Corporation, or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of or in opposition to any candidate for public office.

#### ARTICLE V.

The Corporation shall have no members or shareholders and shall not issue any shares of stock or certificates or any other evidence of membership.

## ARTICLE VI.

The location and mailing address of the initial registered office of the Corporation shall be 307 University Boulevard, AD 328, Mobile, Alabama 36688-0002. The name of the initial registered agent of the Corporation at such address is M. Wayne Davis.

## ARTICLE VII.

(a) The number of directors constituting the initial board of directors of the Corporation shall be six (6). The names and addresses of the initial directors of the Corporation who shall serve until the first annual meeting of the directors or until their successors are elected and qualify are as follows:

<u>Director</u>	<u>Address</u>
Honorable James P. Nix	415 Myrtle Street Fairhope, Alabama 36532
Donald L. Langham	3737 Government Street, St. 206 Mobile, Alabama 36693
Honorable E. Crum Foshee	400 South Union Street, St. 345 Montgomery, Alabama 36104
J. Cecil Gardner	Post Office Drawer 3103 Mobile, Alabama 36652
V. Gordon Moulton	307 University Boulevard, AD 121 Mobile, Alabama 36688-0002
M. Wayne Davis	307 University Boulevard AD 328 Mobile, Alabama 36688-0002

The number of directors constituting the board of directors of the Corporation may be increased to that number of directors set forth in the bylaws of the Corporation.

(b) The individuals serving on the first board of directors of the Corporation shall hold office until their successors shall have been duly elected and qualified in accordance with applicable provisions of the bylaws of the Corporation. Thereafter, the directors of the Corporation shall be elected in the manner and for the term prescribed in the bylaws of the Corporation.

(c) A director may be removed in the manner provided in the bylaws of the Corporation. Any vacancy in the board of directors created by the death, resignation, incapacity or removal of a director or by an increase in the number of directors shall be filled in the manner provided in the bylaws of the Corporation.

## ARTICLE VIII.

The initial bylaws of the Corporation shall be adopted by the board of directors. The power to alter, amend or repeal the bylaws or adopt new bylaws shall be vested in the board of directors; provided, that any amendment to the bylaws of the Corporation adopted by the board of directors shall not become effective until such amendment has been approved by a majority vote of the Board of Trustees of the University. The bylaws may contain any provisions for the regulation and conduct of the affairs of the Corporation and the directors not inconsistent with the Act or these Articles of Incorporation.

## ARTICLE IX.

In amplification and not in limitation of the provisions of applicable law:

(a) Pursuant to §§ 10-11-1 et seq. and 6-5-336, Code of Alabama, 1975, as amended, all non-compensated directors, trustees, members of governing bodies, officers and other eligible volunteers of the Corporation shall be immune from suit and shall not be subject to civil liability arising from the conduct of the affairs of the Corporation except when the act or omission of such person that gives rise to the case of action amounts to willful or wanton misconduct or fraud or gross negligence.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative, including appeals (other than an action by or in the right of the Corporation), by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such claim, action, suit or proceeding, unless he or she acted intentionally or willfully against the best interests of the Corporation. The termination of any claim, action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person acted intentionally or willfully in a manner that was opposed to the best interests of the Corporation.

(c) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed claim, action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the Corporation and except that no indemnification shall be made with respect to any claim, issue or matter as to which such

person shall have been adjudged to be liable for intentional or willful misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(d) Any indemnification under subsections (b) and (c) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in subsections (b) and (c). Such determination shall be made (1) by the board of directors of the Corporation by a majority vote of the directors who were not parties to, or who have been wholly successful on the merits or otherwise with respect to, such claim, action, suit or proceeding, or (2) if a majority of disinterested directors so directs, by independent legal counsel.

(e) Expenses (including attorneys' fees) incurred in defending a civil or criminal claim, action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such claim, action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if and to the extent that it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article IX. Such undertaking shall be an unlimited, unsecured general obligation of the officer of the Corporation and shall be accepted without reference to his ability to make repayment.

(f) The indemnification authorized by this Article IX shall not be deemed exclusive of and shall be in addition to any other rights to which those indemnified may be entitled under any statute, rule of law, provision of articles or certificate of incorporation bylaws, agreement, vote of disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. No amendment, modification, or repeal of this Article IX shall diminish the right to indemnification with respect to any claim, cause, or matter in any then pending or subsequent proceeding that is based in any material respect on any alleged action or failure to act prior to such amendment, modification or repeal.

(g) The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article IX.

#### ARTICLE X.

Upon the dissolution of the Corporation and the winding up of its affairs, the board of directors shall, after paying or making provision for the payment of all liabilities and obligations of the Corporation, transfer all of its remaining assets to the University or to any affiliate organization of the University that is designated by its Board of Trustees. No assets or earnings of the Corporation shall be distributed to any officer or director of the Corporation or to any private individual.

#### ARTICLE XI.

The name and address of the sole incorporator of the Corporation are as follows:

<u>Name</u>	<u>Address</u>
M. Wayne Davis	307 University Boulevard AD 328 Mobile, Alabama 36688-0002

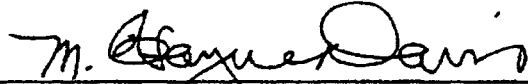
#### ARTICLE XII.

These Articles of Incorporation may be amended from time to time in accordance with the terms and provisions of the Act, provided, that any amendment to these Articles of Incorporation shall not be effective, and shall not be filed of public record, until such amendment has been approved by a majority vote of the Board of Trustees of the University. Notwithstanding the foregoing, no amendment shall be made to these Articles of Incorporation which would in any way result in the operation of the Corporation for the private advantage or pecuniary profit of any director or member thereof or permit the operation of the Corporation for any purpose other than religious, charitable, scientific, literary or educational purposes.

[The remainder of this page intentionally left blank]



The undersigned, acting as the sole incorporator of the USA Research and Technology Corporation, executes these Articles of Incorporation on this 14<sup>th</sup> day of June, 2002.



M. Wayne Davis, Incorporator

State of Alabama - Mobile County  
I certify this instrument was filed on:

Fri, Jun-14-2002 @ 3:08:06PM

RECORDING FEE	26.00
S. R. FEE	2.00
<b>TOTAL AMOUNT</b>	<b>\$28.00</b>

This instrument prepared by:

K. Wood Herren, Esq.  
Bradley Arant Rose & White LLP  
2001 Park Place, Suite 1400  
Birmingham, Alabama 35203-2736  
(205) 521-8000

2002046223  
Don Davis, Judge of Probate

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**STATE OF ALABAMA**  
**PROBATE COURT OF MOBILE COUNTY**

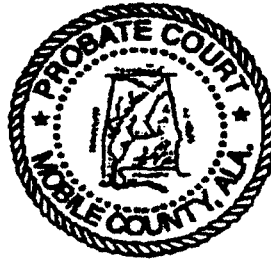
**Incorporation/Amendment/Dissolution Certificate**

I, **Don Davis**, as Probate Judge in and for Mobile County, Alabama, do hereby certify that the foregoing Articles, duly signed and verified pursuant to the provisions of Alabama Statute, have been received and recorded in this office and are found to comply with law in such matters. Accordingly, the undersigned Probate Judge, by the authority so vested, hereby issues this Certificate.

Given under My Hand and Official Seal of the Probate Court of Mobile County, Alabama this **Friday, June 14, 2002**



Don Davis, Probate Judge  
Mobile County, Alabama



Recorded at Book: **5175**

Page: **0116**

Clerk: **pcrc07**

Exhibit B

**FIRST AMENDMENT TO AGREEMENT FOR SERVICES  
BETWEEN  
UNIVERSITY OF SOUTH ALABAMA  
AND  
USA RESEARCH AND TECHNOLOGY CORPORATION**

**THIS AGREEMENT** is made this twenty-first day of August, 2012, by and between University of South Alabama ("USA"), a public body corporate, and USA Research and Technology Corporation, an Alabama nonprofit corporation ("RTC"), thereby amending that certain Agreement for Services between the University of South Alabama and USA Research and Technology Corporation executed the twenty-seventh day of September, 2004.

**WHEREAS**, RTC is a non-profit corporation organized and operated exclusively as a "supporting organization" for the benefit of and to further the educational and scientific mission of USA and to enhance the educational and training opportunities available to the University's students and faculty through support of USA's academic programs, scientific research and development initiatives, and other related activities, and

**WHEREAS**, USA maintains certain services, particularly, but not limited to, accounting, legal, and management services, and

**WHEREAS**, RTC recognizes its need to utilize such services, and

**WHEREAS**, USA and RTC desire to cooperate in these services,

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises contained herein, the parties agree as follows:

1. USA will provide certain services, including, but not limited to, accounting, legal, and management services, to the extent that such requested services are available and convenient for USA to provide to RTC.
2. RTC will compensate USA for all services provided at the rate detailed in Exhibit "A." If RTC requests services not specified in the attached Exhibit "A," USA will bill and RTC will pay for these additional services at a rate to be determined by USA prior to commencement of such services.
3. Both parties agree and acknowledge that the value of these services may change over time; accordingly, both parties agree and acknowledge that USA may place into

effect a modified Exhibit "A" which reflects the new value of these services at any time. This modified Exhibit "A" will apply to all services requested after RTC has been notified in writing of the modified Exhibit "A."

4. This Agreement may be cancelled at any time with ten (10) days prior notice to the other party; provided, however, that all work currently being performed will be completed prior to final termination of the agreement as long as all amounts due under this agreement are current. In the event of a default in payment, USA retains the right to discontinue work on any ongoing services.
5. USA shall bill RTC monthly for all services rendered pursuant to this Agreement. Payment shall be due in full from RTC to USA within thirty (30) days of invoice date. In the event of default, RTC shall pay to USA in addition to all sums currently outstanding all costs of collection, including attorneys fees, and interest.

**IN WITNESS THEREOF**, the parties hereto have caused this Agreement to be made and executed by their respective authorized officers as of the day, month and year as stated in the first paragraph of this Agreement.

**UNIVERSITY OF SOUTH ALABAMA      USA RESEARCH AND TECHNOLOGY  
CORPORATION**

By: \_\_\_\_\_ By: \_\_\_\_\_  
ITS: Vice President for Financial Affairs ITS: President

DATE: \_\_\_\_\_ DATE: \_\_\_\_\_

**EXHIBIT A**  
**August 21, 2012**

Annual Charge for accounting, legal, and management services	\$155,282.00
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**RESOLUTION**

**STUDENT CENTER RENOVATIONS**

**WHEREAS**, the University of South Alabama has a growing enrollment, and

**WHEREAS**, the quality of student life is strongly enhanced by an excellent student center, and

**WHEREAS**, the recruitment of students is strongly enhanced by a high-quality student center, and

**WHEREAS**, the current student center, built in 1971, is in need of renovations, and

**WHEREAS**, on September 17, 2010, the Board of Trustees approved Harvey Gandler, Architect, to design the renovations to the current Student Center, and

**WHEREAS**, these renovations were put out for competitive bid in July 2012, and all bids were much higher than the available funds for the project, and

**WHEREAS**, the planned renovations and improvements are being reviewed and modified to meet the available budgeted funds and will be re-bid in the fall of 2012,

**THEREFORE, BE IT RESOLVED** that the Board of Trustees authorizes the President to oversee the bid process and to award the bid to the construction firm that is the successful low bidder.



REC'D  
OFFICE OF THE PRESIDENT

AUG 31 2012


UNIVERSITY OF SOUTH ALABAMA  
Vice President for Financial Affairs  
AD 170

UNIVERSITY OF SOUTH ALABAMA

## MEMORANDUM

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TO: President V. Gordon Moulton

FROM: M. Wayne Davis 

SUBJECT: Student Center Renovations

DATE: August 30, 2012

In order to enhance the quality of student life on campus, and as a recruitment tool for prospective students, the 41-year-old Student Center is in need of renovations.

As you know, all of the bids we received in July 2012 for this project were higher than the available funds; therefore, the renovation plans are being modified.

With your approval, we will place the attached Resolution, regarding the bid process and award for this project, on the agenda for the Board of Trustees meeting, scheduled for Monday, September 10, 2012.

MWD/cbm

Attachment

**RESOLUTION**

**UNIVERSITY TOTAL BUDGET FOR 2012-2013**

**BE IT RESOLVED**, the University of South Alabama Board of Trustees approves the 2012–2013 University of South Alabama Total Budget, which includes both the University General Budget and the Hospitals and Clinics Budget, and

**BE IT FURTHER RESOLVED**, the University of South Alabama Board of Trustees approves the 2012–2013 Total Budget as a continuation budget for 2013–2014 in order to be in compliance with bond trust indenture requirements if the budget process cannot be completed prior to beginning the 2013–2014 fiscal year.



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TOTAL UNIVERSITY BUDGET

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	AUXILIARY ENTERPRISES
9	SCHEDULE OF STATE APPROPRIATIONS

UNIVERSITY OF SOUTH ALABAMA  
2012-2013 BUDGET SUMMARY  
TOTAL CURRENT FUNDS

	2012-2013 BUDGET			2011-2012 BUDGET
	UNRESTRICTED	RESTRICTED	TOTAL	
REVENUES:				
TUITION AND FEES	\$ 121,300,240	\$	\$ 121,300,240	\$ 113,359,031
STATE APPROPRIATIONS	101,295,044		101,295,044	105,390,671
FEDERAL GRANTS AND CONTRACTS	4,312,832		58,812,832	68,018,278
STATE AND LOCAL GRANTS AND CONTRACTS	333,938	54,500,000	7,013,938	7,134,484
PRIVATE GIFTS, GRANTS AND CONTRACTS	52,626,500	4,600,000	57,226,500	52,753,100
MOBILE RACING COMMISSION	75,000		75,000	75,000
ENDOWMENT INCOME	170,000		170,000	170,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,348,750		3,348,750	3,629,650
HOSPITALS	310,545,159		310,545,159	289,679,271
MITCHELL CANCER INSTITUTE	45,726,533		45,726,533	40,524,926
AUXILIARY ENTERPRISES	18,398,414		18,398,414	17,978,346
OTHER SOURCES	7,510,752	3,890,000	11,400,752	12,618,895
TOTAL REVENUES	665,663,162	69,650,000	735,313,162	711,331,652
EXPENDITURES AND MANDATORY TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	106,830,747	12,200,000	119,030,747	118,289,202
RESEARCH	3,817,500	15,600,000	19,417,500	17,713,520
PUBLIC SERVICE	40,103,672	4,600,000	44,703,672	42,959,142
ACADEMIC SUPPORT	19,026,583		19,026,583	20,513,317
STUDENT SERVICES	25,508,246	750,000	26,258,246	25,819,275
INSTITUTIONAL SUPPORT	27,350,321		27,350,321	27,086,744
OPERATION AND MAINTENANCE OF PLANT	23,429,434	11,000,000	36,429,434	46,728,760
SCHOLARSHIPS	8,987,158	25,500,000	34,487,158	33,910,847
EDUCATIONAL AND GENERAL EXPENDITURES	257,053,661	69,650,000	326,703,661	333,020,807
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	17,542,562		17,542,562	16,433,486
LOAN FUND MATCHING GRANTS	171,239		171,239	171,239
TOTAL EDUCATIONAL AND GENERAL	274,767,462	69,650,000	344,417,462	349,625,532
HOSPITALS (INCLUDING DEBT SERVICE OF \$6,249,819):				
MITCHELL CANCER INSTITUTE (INCLUDING DEBT SERVICE OF \$636,678):				
AUXILIARY ENTERPRISES:				
EXPENDITURES				
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST				
TOTAL AUXILIARY ENTERPRISES				
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	662,533,887	69,650,000	732,203,887	712,352,910
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):				
DEPRECIATION - RENEWALS AND REPLACEMENTS				
OTHER TRANSFERS	(7,881,900)		(7,881,900)	(8,503,132)
MOBILE RACING COMMISSION	847,625		847,625	1,989,649
	(75,000)		(75,000)	(75,000)
NET DECREASE IN FUND BALANCES	(4,000,000)		(4,000,000)	(7,609,741)
PROCEEDS FROM SALE OF BROOKLEY	4,000,000		4,000,000	4,000,000
NET AFTER TRANSFERS	\$	\$	\$	\$ (3,609,741)

UNIVERSITY OF SOUTH ALABAMA  
2012-2013 BUDGET SUMMARY  
UNRESTRICTED CURRENT FUNDS

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	HOSPITALS	MITCHELL CANCER INSTITUTE	AUXILIARY ENTERPRISES	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>							
TUITION AND FEES	\$ 110,708,581	\$ 10,591,659	\$	\$		\$ 121,300,240	\$ 113,359,031
STATE APPROPRIATIONS	61,499,211	26,341,629	8,454,204	5,000,000		101,295,044	105,390,671
FEDERAL GRANTS AND CONTRACTS	1,062,832	3,250,000				4,312,832	5,018,278
STATE AND LOCAL GRANTS AND CONTRACTS	166,349	187,389				353,938	484,484
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,176,500	49,450,000				52,626,500	49,753,100
MOBILE RACING COMMISSION		75,000				75,000	75,000
ENDOWMENT INCOME		170,000				170,000	170,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,348,750		310,545,159			3,348,750	3,629,650
HOSPITALS						310,545,159	289,679,271
MITCHELL CANCER INSTITUTE				45,726,533		45,726,533	40,254,926
AUXILIARY ENTERPRISES - SALES AND SERVICES					18,398,414	18,398,414	17,978,346
OTHER SOURCES						7,510,752	9,388,895
<b>TOTAL REVENUES</b>	<u>6,510,752</u> <u>186,472,975</u>	<u>1,000,000</u> <u>91,065,877</u>	<u>318,995,363</u>	<u>50,726,533</u>	<u>18,398,414</u>	<u>665,663,162</u>	<u>635,181,652</u>
<b>EDUCATIONAL AND GENERAL:</b>							
INSTRUCTION	71,105,333	35,725,414				106,830,747	106,289,202
RESEARCH	1,757,500	2,060,000				3,817,500	4,213,520
PUBLIC SERVICE	3,074,574	37,029,098				40,103,672	38,809,142
ACADEMIC SUPPORT	14,553,120	4,473,463				19,026,583	20,513,317
STUDENT SERVICES	23,648,349	1,859,897				25,508,246	24,819,275
INSTITUTIONAL SUPPORT	23,324,493	4,025,828				27,350,321	27,086,744
OPERATION AND MAINTENANCE OF PLANT	20,036,300	5,393,134				25,429,434	26,728,760
SCHOLARSHIPS	8,063,558	923,600				8,987,158	8,410,847
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<u>165,563,227</u>	<u>91,490,434</u>				<u>257,053,661</u>	<u>256,670,807</u>
<b>MANDATORY TRANSFERS FOR:</b>							
PRINCIPAL AND INTEREST	17,142,119	400,443				17,542,562	16,433,486
LOAN FUND MATCHING GRANTS	171,239					171,239	171,239
<b>TOTAL EDUCATIONAL AND GENERAL</b>	<u>182,876,585</u>	<u>91,890,877</u>				<u>274,767,462</u>	<u>273,475,532</u>
<b>HOSPITALS:</b>							
EXPENDITURES AND MANDATORY TRANSFERS			317,899,363			317,899,363	298,632,004
<b>MITCHELL CANCER INSTITUTE:</b>							
EXPENDITURES AND MANDATORY TRANSFERS				51,756,009		51,756,009	46,344,575
<b>AUXILIARY ENTERPRISES:</b>							
EXPENDITURES							
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST					14,868,030	14,868,030	14,733,384
<b>TOTAL AUXILIARY ENTERPRISES</b>					<u>3,263,023</u> <u>18,131,053</u>	<u>3,017,415</u> <u>17,750,799</u>	<u>3,017,415</u> <u>17,750,799</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>182,876,585</u>	<u>91,890,877</u>	<u>317,899,363</u>	<u>51,756,009</u>	<u>18,131,053</u>	<u>662,553,887</u>	<u>636,202,910</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>							
DEPRECIATION - RENEWALS AND REPLACEMENTS	(4,414,539)	900,000	(3,200,000)	1,029,476	(267,361)	(7,881,900)	(8,503,132)
OTHER TRANSFERS	818,149	(75,000)	(1,900,000)			847,625	1,989,649
MOBILE RACING COMMISSION						(75,000)	(75,000)
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>			(4,000,000)			(4,000,000)	(7,609,741)
PROCEEDS FROM SALE OF BROOKLEY			4,000,000			4,000,000	4,000,000
<b>NET AFTER TRANSFERS</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

UNIVERSITY OF SOUTH ALABAMA  
2012-2013 BUDGET SUMMARY  
RESTRICTED CURRENT FUNDS

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	MITCHELL CANCER INSTITUTE	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>					
FEDERAL GRANTS AND CONTRACTS	\$ 32,000,000	\$ 21,500,000	\$ 1,000,000	\$ 54,500,000	\$ 63,000,000
STATE AND LOCAL GRANTS AND CONTRACTS	5,200,000	1,350,000	110,000	6,660,000	6,650,000
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,100,000	1,400,000	100,000	4,600,000	3,000,000
OTHER	2,450,000	1,150,000	290,000	3,890,000	3,500,000
<b>TOTAL REVENUES</b>	<b>42,750,000</b>	<b>25,400,000</b>	<b>1,500,000</b>	<b>69,650,000</b>	<b>76,150,000</b>
<b>EXPENDITURES:</b>					
<b>EDUCATIONAL AND GENERAL:</b>					
INSTRUCTION	9,000,000	3,000,000	200,000	12,200,000	12,000,000
RESEARCH	5,000,000	9,500,000	1,100,000	15,600,000	13,500,000
PUBLIC SERVICE	2,000,000	2,400,000	200,000	4,600,000	4,150,000
STUDENT SERVICES	750,000			750,000	1,000,000
OPERATIONS AND MAINTENANCE OF PLANT	1,000,000	10,000,000		11,000,000	20,000,000
SCHOLARSHIPS	25,000,000	500,000		25,500,000	25,500,000
<b>TOTAL EXPENDITURES</b>	<b>42,750,000</b>	<b>25,400,000</b>	<b>1,500,000</b>	<b>69,650,000</b>	<b>76,150,000</b>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

UNIVERSITY OF SOUTH ALABAMA  
OPERATIONS AND MAINTENANCE  
2012-2013 BUDGET  
UNRESTRICTED CURRENT FUNDS

	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>		
TUITION AND FEES	\$ 110,708,581	\$ 104,714,831
ALLOCATION OF STATE APPROPRIATIONS	61,499,211	64,114,899
FEDERAL GRANTS AND CONTRACTS	1,062,832	1,162,832
STATE GRANTS AND CONTRACTS	166,349	291,349
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,176,500	1,683,100
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,348,750	3,629,650
OTHER SOURCES	6,510,752	6,888,895
<b>TOTAL REVENUES</b>	<u>186,472,975</u>	<u>182,485,556</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
<b>EDUCATIONAL AND GENERAL:</b>		
INSTRUCTION	71,105,333	69,582,837
RESEARCH	1,757,500	1,753,520
PUBLIC SERVICE	3,074,574	3,773,220
ACADEMIC SUPPORT	14,553,120	15,688,401
STUDENT SERVICES	23,648,349	22,905,030
INSTITUTIONAL SUPPORT	23,324,493	22,229,008
OPERATION AND MAINTENANCE OF PLANT	20,036,300	21,728,213
SCHOLARSHIPS	8,063,558	7,487,247
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<u>165,563,227</u>	<u>165,147,476</u>
<b>MANDATORY TRANSFERS:</b>		
PRINCIPAL AND INTEREST	17,142,119	16,033,043
LOAN FUND MATCHING GRANTS	171,239	171,239
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>182,876,585</u>	<u>181,351,758</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>		
OTHER TRANSFERS	818,149	
DEPRECIATION - RENEWALS AND REPLACEMENTS	(4,414,539)	(4,414,539)
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$</u>	<u>\$ (3,280,741)</u>

UNIVERSITY OF SOUTH ALABAMA  
COLLEGE OF MEDICINE  
2012-2013 BUDGET  
UNRESTRICTED CURRENT FUNDS

	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>		
TUITION AND FEES	\$ 10,591,659	\$ 8,644,200
ALLOCATION OF STATE APPROPRIATIONS	26,341,629	27,461,993
FEDERAL GRANTS AND CONTRACTS	3,250,000	3,855,446
STATE GRANTS AND CONTRACTS	187,589	193,135
PRIVATE GIFTS, GRANTS AND CONTRACTS	49,450,000	48,070,000
MOBILE RACING COMMISSION	75,000	75,000
ENDOWMENT INCOME	170,000	170,000
OTHER SOURCES	1,000,000	2,500,000
<b>TOTAL REVENUES</b>	<b>91,065,877</b>	<b>90,969,774</b>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
<b>EDUCATIONAL AND GENERAL:</b>		
INSTRUCTION	35,725,414	36,706,365
RESEARCH	2,060,000	2,460,000
PUBLIC SERVICE	37,029,098	35,035,922
ACADEMIC SUPPORT	4,473,463	4,824,916
STUDENT SERVICES	1,859,897	1,914,245
INSTITUTIONAL SUPPORT	4,025,828	4,857,736
OPERATION AND MAINTENANCE OF PLANT	5,393,134	5,000,547
SCHOLARSHIPS	923,600	923,600
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<b>91,490,434</b>	<b>91,723,331</b>
<b>MANDATORY TRANSFERS:</b>		
PRINCIPAL AND INTEREST	400,443	400,443
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<b>91,890,877</b>	<b>92,123,774</b>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>		
OTHER TRANSFERS	900,000	900,000
MOBILE RACING COMMISSION	(75,000)	(75,000)
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<b>\$</b>	<b>\$ (329,000)</b>

UNIVERSITY OF SOUTH ALABAMA  
HOSPITALS  
2012-2013 BUDGET  
UNRESTRICTED CURRENT FUNDS

<b>REVENUES:</b>			
GROSS PATIENT REVENUES	2012-2013 BUDGET	2011-2012 BUDGET	
	\$ 460,551,180	\$ 426,385,780	
CONTRACTUAL ADJUSTMENTS	190,100,654	170,828,963	
OTHER ADJUSTMENTS	2,123,554	1,589,486	
TOTAL DEDUCTIONS FROM REVENUES	192,224,208	172,418,449	
NET PATIENT REVENUES	268,326,972	253,967,331	
ALLOCATION OF STATE APPROPRIATIONS	8,454,204	8,813,779	
MOBILE COUNTY HOSPITAL BOARD	14,825,988	14,825,988	
MOBILE COUNTY INDIGENT CARE BOARD	1,360,000	2,277,624	
MEDICAID DISPROPORTIONATE SHARE	16,376,127	8,586,155	
OTHER REVENUES	9,656,072	10,022,173	
<b>TOTAL REVENUES</b>	<b>318,999,363</b>	<b>298,493,050</b>	
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>			
<b>EXPENDITURES:</b>			
NURSING SERVICES	87,658,005	86,882,895	
PROFESSIONAL SERVICES	69,945,365	68,873,317	
GENERAL DIVISION	18,775,351	17,958,536	
ADMINISTRATIVE DIVISION	39,341,747	37,726,722	
MEDICAL EDUCATION	16,763,439	15,831,329	
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	79,165,637	66,384,327	
<b>TOTAL EXPENDITURES</b>	<b>311,649,544</b>	<b>293,657,126</b>	
<b>MANDATORY TRANSFERS FOR:</b>			
PRINCIPAL AND INTEREST	6,249,819	4,974,878	
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<b>317,899,363</b>	<b>298,632,004</b>	
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>			
DEPRECIATION - DISPROPORTIONATE SHARE	(3,200,000)	(3,200,000)	
DEPRECIATION - RENEWALS AND REPLACEMENTS	(1,900,000)	(661,046)	
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<b>(4,000,000)</b>	<b>(4,000,000)</b>	
PROCEEDS FROM SALE OF BROOKLEY	4,000,000	4,000,000	
<b>NET AFTER TRANSFERS</b>	<b>\$</b>	<b>\$</b>	

UNIVERSITY OF SOUTH ALABAMA  
MITCHELL CANCER INSTITUTE  
2012-2013 BUDGET  
UNRESTRICTED CURRENT FUNDS

	2012-2013 BUDGET	2011-2012 BUDGET
REVENUES:		
GROSS PATIENT REVENUES	\$ 89,839,177	\$ 73,371,737
ALLOCATION OF STATE APPROPRIATIONS	5,000,000	5,000,000
OTHER REVENUES	<u>2,666,004</u>	<u>2,207,410</u>
TOTAL REVENUES	<u>97,505,181</u>	<u>80,579,147</u>
LESS: CONTRACTUAL ADJUSTMENTS	<u>46,778,648</u>	<u>35,324,221</u>
NET REVENUES	<u>50,726,533</u>	<u>45,254,926</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
EXPENDITURES:		
PROFESSIONAL SERVICES	39,092,204	35,814,124
ADMINISTRATIVE DIVISION	6,433,269	6,884,389
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	3,198,907	3,453,066
CONTINGENCY	<u>2,394,951</u>	
TOTAL EXPENDITURES	<u>51,119,331</u>	<u>46,151,579</u>
MANDATORY TRANSFERS:		
PRINCIPAL AND INTEREST	<u>636,678</u>	<u>192,996</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>51,756,009</u>	<u>46,344,575</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
OTHER TRANSFERS	<u>1,029,476</u>	<u>1,089,649</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$</u>	<u>\$</u>



UNIVERSITY OF SOUTH ALABAMA  
AUXILIARY ENTERPRISES  
2012-2013 BUDGET  
UNRESTRICTED CURRENT FUNDS

	<u>HOUSING</u>	<u>FOOD SERVICES</u>	<u>BOOKSTORE</u>	<u>2012-2013 BUDGET</u>	<u>2011-2012 BUDGET</u>
<b>REVENUES:</b>					
RENTAL INCOME	\$ 7,916,999	\$	\$	7,916,999	7,243,941
SALES			9,165,500	9,165,500	9,483,000
COMMISSION INCOME		885,000		885,000	860,000
OTHER INCOME	370,915		60,000	430,915	391,405
<b>TOTAL REVENUES</b>	<u>8,287,914</u>	<u>885,000</u>	<u>9,225,500</u>	<u>18,398,414</u>	<u>17,978,346</u>
LESS: COST OF GOODS SOLD			6,676,854	6,676,854	6,908,089
<b>NET REVENUES</b>	<u>8,287,914</u>	<u>885,000</u>	<u>2,548,646</u>	<u>11,721,560</u>	<u>11,070,257</u>
<b>EXPENDITURES:</b>					
SALARIES AND WAGES	1,469,505		799,897	2,269,402	2,020,135
EMPLOYEE BENEFITS	279,673		329,232	608,905	508,675
OTHER EXPENDITURES	3,695,569	434,315	1,182,985	5,312,869	5,296,485
<b>TOTAL EXPENDITURES</b>	<u>5,444,747</u>	<u>434,315</u>	<u>2,312,114</u>	<u>8,191,176</u>	<u>7,825,295</u>
<b>NET OPERATING INCOME</b>	<u>2,843,167</u>	<u>450,685</u>	<u>236,532</u>	<u>3,530,384</u>	<u>3,244,962</u>
<b>TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):</b>					
<b>MANDATORY TRANSFERS:</b>					
PRINCIPAL AND INTEREST	(2,575,806)	(450,685)	(236,532)	(3,263,023)	(3,017,415)
<b>NON-MANDATORY TRANSFERS:</b>					
RENEWALS AND REPLACEMENTS	(267,361)			(267,361)	(227,547)
<b>TOTAL TRANSFERS</b>	<u>(2,843,167)</u>	<u>(450,685)</u>	<u>(236,532)</u>	<u>(3,530,384)</u>	<u>(3,244,962)</u>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**UNIVERSITY OF SOUTH ALABAMA  
STATE APPROPRIATIONS  
2012-2013**

	<b>2012-2013 APPROPRIATIONS</b>	<b>2011-2012 APPROPRIATIONS</b>
<b>REGULAR APPROPRIATIONS:</b>		
UNIVERSITY GENERAL	\$ 71,951,394	\$ 76,217,529
HOSPITALS AND CLINICS	29,343,650	28,173,142
	<u>101,295,044</u>	<u>104,390,671</u>
<b>ALABAMA INNOVATION FUND:</b>		
MITCHELL CANCER INSTITUTE		<u>1,000,000</u>
	<u>\$ 101,295,044</u>	<u>\$ 105,390,671</u>

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**UNIVERSITY GENERAL BUDGET**

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UNIVERSITY OF SOUTH ALABAMA  
UNIVERSITY GENERAL  
2012-2013 BUDGET SUMMARY  
CURRENT FUNDS

	2012-2013 BUDGET			2011-2012 BUDGET
	UNRESTRICTED	RESTRICTED	TOTAL	
<b>REVENUES:</b>				
TUITION AND FEES	\$ 121,300,240	\$	\$ 121,300,240	\$ 113,359,031
STATE APPROPRIATIONS	71,951,394		71,951,394	76,217,529
FEDERAL GRANTS AND CONTRACTS	4,312,832	54,500,000	58,812,832	68,018,278
STATE AND LOCAL GRANTS AND CONTRACTS	353,938	6,660,000	7,013,938	7,134,484
PRIVATE GIFTS, GRANTS AND CONTRACTS	9,626,500	4,600,000	14,226,500	9,753,100
MOBILE RACING COMMISSION	75,000		75,000	75,000
ENDOWMENT INCOME	170,000		170,000	170,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,348,750		3,348,750	3,629,650
AUXILIARY ENTERPRISES	18,398,414		18,398,414	17,978,346
OTHER SOURCES	7,510,752	3,890,000	11,400,752	12,888,895
<b>TOTAL REVENUES</b>	<u>237,047,820</u>	<u>69,650,000</u>	<u>306,697,820</u>	<u>309,224,313</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	79,331,301	12,200,000	91,531,301	91,319,839
RESEARCH	3,817,500	15,600,000	19,417,500	17,713,520
PUBLIC SERVICE	8,713,672	4,600,000	13,313,672	11,569,142
ACADEMIC SUPPORT	19,026,583		19,026,583	20,513,317
STUDENT SERVICES	25,508,246	750,000	26,258,246	25,819,275
INSTITUTIONAL SUPPORT	27,350,321		27,350,321	27,086,744
OPERATION AND MAINTENANCE OF PLANT	25,429,434	11,000,000	36,429,434	46,728,760
SCHOLARSHIPS	8,987,158	25,500,000	34,487,158	33,910,847
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<u>198,164,215</u>	<u>69,650,000</u>	<u>267,814,215</u>	<u>274,661,444</u>
<b>MANDATORY TRANSFERS FOR:</b>				
PRINCIPAL AND INTEREST	17,542,562		17,542,562	16,433,486
LOAN FUND MATCHING GRANTS	171,239		171,239	171,239
<b>TOTAL EDUCATIONAL AND GENERAL</b>	<u>215,878,016</u>	<u>69,650,000</u>	<u>285,528,016</u>	<u>291,266,169</u>
<b>AUXILIARY ENTERPRISES:</b>				
EXPENDITURES	14,868,030		14,868,030	14,733,384
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	3,263,023		3,263,023	3,017,415
<b>TOTAL AUXILIARY ENTERPRISES</b>	<u>18,131,053</u>		<u>18,131,053</u>	<u>17,750,799</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>234,009,069</u>	<u>69,650,000</u>	<u>303,659,069</u>	<u>309,016,968</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>				
DEPRECIATION - RENEWALS AND REPLACEMENTS	(4,681,900)		(4,681,900)	(4,642,086)
OTHER TRANSFERS	1,718,149		1,718,149	900,000
MOBILE RACING COMMISSION	(75,000)		(75,000)	(75,000)
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (3,609,741)</u>

UNIVERSITY OF SOUTH ALABAMA  
UNIVERSITY GENERAL  
2012-2013 BUDGET SUMMARY  
UNRESTRICTED CURRENT FUNDS

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	AUXILIARY ENTERPRISES	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>					
TUITION AND FEES	\$ 110,708,581	\$ 10,591,659	\$	\$ 121,300,240	\$ 113,359,031
STATE APPROPRIATIONS	61,499,211	10,452,183		71,951,394	76,217,529
FEDERAL GRANTS AND CONTRACTS	1,062,832	3,250,000		4,312,832	5,018,278
STATE AND LOCAL GRANTS AND CONTRACTS	166,349	187,589		353,938	484,484
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,176,500	6,450,000		9,626,500	6,753,100
MOBILE RACING COMMISSION		75,000		75,000	75,000
ENDOWMENT INCOME		170,000		170,000	170,000
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,348,750			3,348,750	3,629,650
AUXILIARY ENTERPRISES -			18,398,414	18,398,414	17,978,346
SALES AND SERVICES		1,000,000		7,510,752	9,388,895
OTHER SOURCES	6,510,752	32,176,431	18,398,414	237,047,820	233,074,313
<b>TOTAL REVENUES</b>	<u>186,472,975</u>	<u>32,176,431</u>	<u>18,398,414</u>	<u>237,047,820</u>	<u>233,074,313</u>
<b>EDUCATIONAL AND GENERAL:</b>					
INSTRUCTION	71,105,333	8,225,968		79,331,301	79,319,839
RESEARCH	1,757,500	2,060,000		3,817,500	4,213,520
PUBLIC SERVICE	3,074,574	5,639,098		8,713,672	7,419,142
ACADEMIC SUPPORT	14,553,120	4,473,463		19,026,583	20,513,317
STUDENT SERVICES	23,648,349	1,859,897		25,508,246	24,819,275
INSTITUTIONAL SUPPORT	23,324,493	4,025,828		27,350,321	27,086,744
OPERATION AND MAINTENANCE OF PLANT	20,036,300	5,393,134		25,429,434	26,728,760
SCHOLARSHIPS	8,063,558	923,600		8,987,158	8,410,847
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<u>165,563,227</u>	<u>32,600,988</u>		<u>198,164,215</u>	<u>198,511,444</u>
<b>MANDATORY TRANSFERS FOR:</b>					
PRINCIPAL AND INTEREST	17,142,119	400,443		17,542,562	16,433,486
LOAN FUND MATCHING GRANTS	171,239			171,239	171,239
<b>TOTAL EDUCATIONAL AND GENERAL</b>	<u>182,876,585</u>	<u>33,001,431</u>		<u>215,878,016</u>	<u>215,116,169</u>
<b>AUXILIARY ENTERPRISES:</b>					
EXPENDITURES			14,868,030	14,868,030	14,733,384
MANDATORY TRANSFERS FOR PRINCIPAL AND INTEREST			3,263,023	3,263,023	3,017,415
<b>TOTAL AUXILIARY ENTERPRISES</b>			<u>18,131,053</u>	<u>18,131,053</u>	<u>17,750,799</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>182,876,585</u>	<u>33,001,431</u>	<u>18,131,053</u>	<u>234,009,069</u>	<u>232,866,968</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>					
DEPRECIATION - RENEWALS AND REPLACEMENTS	(4,414,539)	900,000	(267,361)	(4,681,900)	(4,642,086)
OTHER TRANSFERS	818,149	(75,000)		1,718,149	900,000
MOBILE RACING COMMISSION				(75,000)	(75,000)
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
					<u>(3,609,741)</u>

UNIVERSITY OF SOUTH ALABAMA  
UNIVERSITY GENERAL  
2012-2013 BUDGET SUMMARY  
RESTRICTED CURRENT FUNDS

	OPERATIONS AND MAINTENANCE	COLLEGE OF MEDICINE	MITCHELL CANCER INSTITUTE	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>					
FEDERAL GRANTS AND CONTRACTS	\$ 32,000,000	\$ 21,500,000	\$ 1,000,000	\$ 54,500,000	\$ 63,000,000
STATE AND LOCAL GRANTS AND CONTRACTS	5,200,000	1,350,000	110,000	6,660,000	6,650,000
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,100,000	1,400,000	100,000	4,600,000	3,000,000
OTHER	2,450,000	1,150,000	290,000	3,890,000	3,500,000
<b>TOTAL REVENUES</b>	<b>42,750,000</b>	<b>25,400,000</b>	<b>1,500,000</b>	<b>69,650,000</b>	<b>76,150,000</b>
<b>EXPENDITURES:</b>					
<b>EDUCATIONAL AND GENERAL:</b>					
INSTRUCTION	9,000,000	3,000,000	200,000	12,200,000	12,000,000
RESEARCH	5,000,000	9,500,000	1,100,000	15,600,000	13,500,000
PUBLIC SERVICE	2,000,000	2,400,000	200,000	4,600,000	4,150,000
STUDENT SERVICES	750,000			750,000	1,000,000
OPERATIONS AND MAINTENANCE OF PLANT	1,000,000	10,000,000		11,000,000	20,000,000
SCHOLARSHIPS	25,000,000	500,000		25,500,000	25,500,000
<b>TOTAL EXPENDITURES</b>	<b>42,750,000</b>	<b>25,400,000</b>	<b>1,500,000</b>	<b>69,650,000</b>	<b>76,150,000</b>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

UNIVERSITY OF SOUTH ALABAMA  
UNIVERSITY GENERAL  
OPERATIONS AND MAINTENANCE  
2012-2013 BUDGET  
UNRESTRICTED CURRENT FUNDS

	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>		
TUITION AND FEES	\$ 110,708,581	\$ 104,714,831
ALLOCATION OF STATE APPROPRIATIONS	61,499,211	64,114,899
FEDERAL GRANTS AND CONTRACTS	1,062,832	1,162,832
STATE GRANTS AND CONTRACTS	166,349	291,349
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,176,500	1,683,100
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	3,348,750	3,629,650
OTHER SOURCES	6,510,752	6,888,895
<b>TOTAL REVENUES</b>	<u>186,472,975</u>	<u>182,485,556</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
<b>EDUCATIONAL AND GENERAL:</b>		
INSTRUCTION	71,105,333	69,582,837
RESEARCH	1,757,500	1,753,520
PUBLIC SERVICE	3,074,574	3,773,220
ACADEMIC SUPPORT	14,553,120	15,688,401
STUDENT SERVICES	23,648,349	22,905,030
INSTITUTIONAL SUPPORT	23,324,493	22,229,008
OPERATION AND MAINTENANCE OF PLANT	20,036,300	21,728,213
SCHOLARSHIPS	8,063,558	7,487,247
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<u>165,563,227</u>	<u>165,147,476</u>
<b>MANDATORY TRANSFERS:</b>		
PRINCIPAL AND INTEREST	17,142,119	16,033,043
LOAN FUND MATCHING GRANTS	171,239	171,239
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>182,876,585</u>	<u>181,351,758</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>		
OTHER TRANSFERS	818,149	
DEPRECIATION - RENEWALS AND REPLACEMENTS	(4,414,539)	(4,414,539)
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$</u>	<u>\$ (3,280,741)</u>

UNIVERSITY OF SOUTH ALABAMA  
UNIVERSITY GENERAL  
COLLEGE OF MEDICINE  
2012-2013 BUDGET  
UNRESTRICTED CURRENT FUNDS

	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>		
TUITION AND FEES	\$ 10,591,659	\$ 8,644,200
ALLOCATION OF STATE APPROPRIATIONS	10,452,183	12,102,630
FEDERAL GRANTS AND CONTRACTS	3,250,000	3,855,446
STATE GRANTS AND CONTRACTS	187,589	193,135
PRIVATE GIFTS, GRANTS AND CONTRACTS	6,450,000	5,070,000
MOBILE RACING COMMISSION	75,000	75,000
ENDOWMENT INCOME	170,000	170,000
OTHER SOURCES	1,000,000	2,500,000
<b>TOTAL REVENUES</b>	<b>32,176,431</b>	<b>32,610,411</b>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
<b>EDUCATIONAL AND GENERAL:</b>		
INSTRUCTION	8,225,968	9,737,002
RESEARCH	2,060,000	2,460,000
PUBLIC SERVICE	5,639,098	3,645,922
ACADEMIC SUPPORT	4,473,463	4,824,916
STUDENT SERVICES	1,859,897	1,914,245
INSTITUTIONAL SUPPORT	4,025,828	4,857,736
OPERATION AND MAINTENANCE OF PLANT	5,393,134	5,000,547
SCHOLARSHIPS	923,600	923,600
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<b>32,600,988</b>	<b>33,363,968</b>
<b>MANDATORY TRANSFERS:</b>		
PRINCIPAL AND INTEREST	400,443	400,443
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<b>33,001,431</b>	<b>33,764,411</b>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>		
OTHER TRANSFERS	900,000	900,000
MOBILE RACING COMMISSION	(75,000)	(75,000)
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<b>\$</b>	<b>\$ (329,000)</b>



UNIVERSITY OF SOUTH ALABAMA  
UNIVERSITY GENERAL  
AUXILIARY ENTERPRISES  
2012-2013 BUDGET  
UNRESTRICTED CURRENT FUNDS

	HOUSING	FOOD SERVICES	BOOKSTORE	2012-2013 BUDGET	2011-2012 BUDGET
REVENUES:					
RENTAL INCOME	\$ 7,916,999	\$		\$ 7,916,999	\$ 7,243,941
SALES			9,165,500	9,165,500	9,483,000
COMMISSION INCOME		885,000		885,000	860,000
OTHER INCOME	370,915		60,000	430,915	391,405
TOTAL REVENUES	8,287,914	885,000	9,225,500	18,398,414	17,978,346
LESS: COST OF GOODS SOLD			6,676,854	6,676,854	6,908,089
NET REVENUES	8,287,914	885,000	2,548,646	11,721,560	11,070,257
EXPENDITURES:					
SALARIES AND WAGES	1,469,505		799,897	2,269,402	2,020,135
EMPLOYEE BENEFITS	279,673		329,232	608,905	508,675
OTHER EXPENDITURES	3,695,569	434,315	1,182,985	5,312,869	5,296,485
TOTAL EXPENDITURES	5,444,747	434,315	2,312,114	8,191,176	7,825,295
NET OPERATING INCOME	2,843,167	450,685	236,532	3,530,384	3,244,962
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):					
MANDATORY TRANSFERS:					
PRINCIPAL AND INTEREST	(2,575,806)	(450,685)	(236,532)	(3,263,023)	(3,017,415)
NON-MANDATORY TRANSFERS:					
RENEWALS AND REPLACEMENTS	(267,361)			(267,361)	(227,547)
TOTAL TRANSFERS	(2,843,167)	(450,685)	(236,532)	(3,530,384)	(3,244,962)
NET INCREASE (DECREASE) IN FUND BALANCES	\$	\$	\$	\$	\$

UNIVERSITY OF SOUTH ALABAMA  
STATE APPROPRIATIONS  
UNIVERSITY GENERAL  
2012-2013

	2012-2013 APPROPRIATIONS	2011-2012 APPROPRIATIONS
REGULAR APPROPRIATIONS:		
UNIVERSITY GENERAL	\$ 71,951,394	\$ 76,217,529

**INDEX**  
**HOSPITALS AND CLINICS BUDGET**

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UNIVERSITY OF SOUTH ALABAMA  
TOTAL HOSPITALS AND CLINICS  
2012-2013 BUDGET

	2012-2013 BUDGET	2011-2012 BUDGET
REVENUES:		
STATE APPROPRIATIONS	\$ 29,343,650	\$ 29,173,142
PRIVATE GIFTS, GRANTS AND CONTRACTS	43,000,000	43,000,000
HOSPITALS	310,545,159	289,679,271
MITCHELL CANCER INSTITUTE	45,726,533	40,254,926
TOTAL REVENUES	<u>428,615,342</u>	<u>402,107,339</u>
EDUCATIONAL AND GENERAL:		
INSTRUCTION	27,499,446	26,969,363
PUBLIC SERVICE	31,390,000	31,390,000
EDUCATIONAL AND GENERAL EXPENDITURES	<u>58,889,446</u>	<u>58,359,363</u>
HOSPITALS (INCLUDING DEBT SERVICE OF \$6,249,819):	<u>317,899,363</u>	<u>298,632,004</u>
MITCHELL CANCER INSTITUTE (INCLUDING DEBT SERVICE OF \$636,678):	<u>51,756,009</u>	<u>46,344,575</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>428,544,818</u>	<u>403,335,942</u>
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):		
DEPRECIATION - DISPROPORTIONATE SHARE	(3,200,000)	(3,200,000)
DEPRECIATION - RENEWALS AND REPLACEMENTS	(1,900,000)	(661,046)
OTHER TRANSFERS	<u>1,029,476</u>	<u>1,089,649</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>(4,000,000)</u>	<u>(4,000,000)</u>
PROCEEDS FROM SALE OF BROOKLEY	<u>4,000,000</u>	<u>4,000,000</u>
NET AFTER TRANSFERS	<u>\$</u>	<u>\$</u>

UNIVERSITY OF SOUTH ALABAMA  
TOTAL HOSPITALS AND CLINICS  
2012-2013 DETAIL BUDGET SUMMARY

	HOSPITALS	COLLEGE OF MEDICINE	MITCHELL CANCER INSTITUTE	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>					
STATE APPROPRIATIONS	\$ 8,454,204	\$ 15,889,446	\$ 5,000,000	\$ 29,343,650	\$ 29,173,142
PRIVATE GIFTS, GRANTS AND CONTRACTS		43,000,000		43,000,000	43,000,000
HOSPITALS	310,545,159			310,545,159	289,679,271
MITCHELL CANCER INSTITUTE			45,726,533	45,726,533	40,254,926
<b>TOTAL REVENUES</b>	<u>318,999,363</u>	<u>58,889,446</u>	<u>50,726,533</u>	<u>428,615,342</u>	<u>402,107,339</u>
<b>EDUCATIONAL AND GENERAL:</b>					
INSTRUCTION		27,499,446		27,499,446	26,969,363
PUBLIC SERVICE		31,390,000		31,390,000	31,390,000
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>		<u>58,889,446</u>		<u>58,889,446</u>	<u>58,359,363</u>
<b>HOSPITALS (INCLUDING DEBT SERVICE OF \$6,249,819):</b>	<u>317,899,363</u>			<u>317,899,363</u>	<u>298,632,004</u>
<b>MITCHELL CANCER INSTITUTE (INCLUDING DEBT SERVICE OF \$636,678):</b>			<u>51,756,009</u>	<u>51,756,009</u>	<u>46,344,575</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>317,899,363</u>	<u>58,889,446</u>	<u>51,756,009</u>	<u>428,544,818</u>	<u>403,335,942</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>					
DEPRECIATION - DISPROPORTIONATE SHARE	(3,200,000)			(3,200,000)	(3,200,000)
DEPRECIATION - RENEWALS AND REPLACEMENTS	(1,900,000)			(1,900,000)	(661,046)
OTHER TRANSFERS			1,029,476	1,029,476	1,089,649
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>(4,000,000)</u>			<u>(4,000,000)</u>	<u>(4,000,000)</u>
PROCEEDS FROM SALE OF BROOKLEY	<u>4,000,000</u>			<u>4,000,000</u>	<u>4,000,000</u>
<b>NET AFTER TRANSFERS</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

UNIVERSITY OF SOUTH ALABAMA  
HOSPITALS AND CLINICS  
HOSPITALS  
2012-2013 BUDGET

	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>		
GROSS PATIENT REVENUES	\$ 460,551,180	\$ 426,385,780
CONTRACTUAL ADJUSTMENTS	190,100,654	170,828,963
OTHER ADJUSTMENTS	2,123,554	1,589,486
TOTAL DEDUCTIONS FROM REVENUES	<u>192,224,208</u>	<u>172,418,449</u>
NET PATIENT REVENUES	<u>268,326,972</u>	<u>253,967,331</u>
ALLOCATION OF STATE APPROPRIATIONS	8,454,204	8,813,779
MOBILE COUNTY HOSPITAL BOARD	14,825,988	14,825,988
MOBILE COUNTY INDIGENT CARE BOARD	1,360,000	2,277,624
MEDICAID DISPROPORTIONATE SHARE	16,376,127	8,586,155
OTHER REVENUES	<u>9,656,072</u>	<u>10,022,173</u>
<b>TOTAL REVENUES</b>	<u>318,999,363</u>	<u>298,493,050</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
<b>EXPENDITURES:</b>		
NURSING SERVICES	87,658,005	86,882,895
PROFESSIONAL SERVICES	69,945,365	68,873,317
GENERAL DIVISION	18,775,351	17,958,536
ADMINISTRATIVE DIVISION	39,341,747	37,726,722
MEDICAL EDUCATION	16,763,439	15,831,329
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	<u>79,165,637</u>	<u>66,384,327</u>
<b>TOTAL EXPENDITURES</b>	<u>311,649,544</u>	<u>293,657,126</u>
<b>MANDATORY TRANSFERS FOR:</b>		
PRINCIPAL AND INTEREST	<u>6,249,819</u>	<u>4,974,878</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>317,899,363</u>	<u>298,632,004</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>		
DEPRECIATION - DISPROPORTIONATE SHARE	(3,200,000)	(3,200,000)
DEPRECIATION - RENEWALS AND REPLACEMENTS	<u>(1,900,000)</u>	<u>(661,046)</u>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>(4,000,000)</u>	<u>(4,000,000)</u>
PROCEEDS FROM SALE OF BROOKLEY	<u>4,000,000</u>	<u>4,000,000</u>
<b>NET AFTER TRANSFERS</b>	<u>\$</u>	<u>\$</u>

UNIVERSITY OF SOUTH ALABAMA  
HOSPITALS AND CLINICS  
COLLEGE OF MEDICINE CLINICAL  
2012-2013 BUDGET

	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>		
ALLOCATION OF STATE APPROPRIATIONS	\$ 15,889,446	\$ 15,359,363
PRIVATE GIFTS, GRANTS AND CONTRACTS	<u>43,000,000</u>	<u>43,000,000</u>
<b>TOTAL REVENUES</b>	<u>58,889,446</u>	<u>58,359,363</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
<b>EDUCATIONAL AND GENERAL:</b>		
INSTRUCTION	27,499,446	26,969,363
PUBLIC SERVICE	<u>31,390,000</u>	<u>31,390,000</u>
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<u>58,889,446</u>	<u>58,359,363</u>
<b>MANDATORY TRANSFERS:</b>		
PRINCIPAL AND INTEREST		
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>58,889,446</u>	<u>58,359,363</u>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$</u>	<u>\$</u>

UNIVERSITY OF SOUTH ALABAMA  
HOSPITALS AND CLINICS  
MITCHELL CANCER INSTITUTE CLINICAL  
2012-2013 BUDGET

	2012-2013 BUDGET	2011-2012 BUDGET
<b>REVENUES:</b>		
GROSS PATIENT REVENUES	\$ 89,839,177	\$ 73,371,737
ALLOCATION OF STATE APPROPRIATIONS	5,000,000	5,000,000
OTHER REVENUES	<u>2,666,004</u>	<u>2,207,410</u>
<b>TOTAL REVENUES</b>	97,505,181	80,579,147
LESS: CONTRACTUAL ADJUSTMENTS	<u>46,778,648</u>	<u>35,324,221</u>
<b>NET REVENUES</b>	<u>50,726,533</u>	<u>45,254,926</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
<b>EXPENDITURES:</b>		
PROFESSIONAL SERVICES	39,092,204	35,814,124
ADMINISTRATIVE DIVISION	6,433,269	6,884,389
PROVISION FOR UNCOLLECTIBLE ACCOUNTS (NET OF RECOVERIES)	3,198,907	3,453,066
CONTINGENCY	<u>2,394,951</u>	
<b>TOTAL EXPENDITURES</b>	<u>51,119,331</u>	<u>46,151,579</u>
<b>MANDATORY TRANSFERS:</b>		
PRINCIPAL AND INTEREST	<u>636,678</u>	<u>192,996</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<u>51,756,009</u>	<u>46,344,575</u>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>		
OTHER TRANSFERS	<u>1,029,476</u>	<u>1,089,649</u>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$ <u>                    </u></u>	<u>\$ <u>                    </u></u>



UNIVERSITY OF SOUTH ALABAMA  
STATE APPROPRIATIONS  
HOSPITALS AND CLINICS  
2012-2013

	<u>2012-2013 APPROPRIATIONS</u>	<u>2011-2012 APPROPRIATIONS</u>
<b>REGULAR APPROPRIATIONS:</b>		
HOSPITALS AND CLINICS	\$ 29,343,650	\$ 28,173,142
 <b>ALABAMA INNOVATION FUND:</b>		
MITCHELL CANCER INSTITUTE	<u>1,000,000</u>	
	\$ 29,343,650	\$ 29,173,142

# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

Consolidated Financial Statements as of and for the  
Years Ended June 30, 2012 and 2011, and  
Independent Auditors' Report

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

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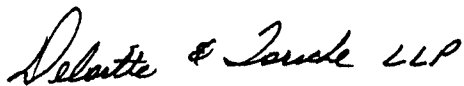
## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
University of South Alabama Foundation:

We have audited the accompanying consolidated statements of financial position of the University of South Alabama Foundation (the "Foundation") as of June 30, 2012 and 2011, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2012 and 2011, and the consolidated related activities and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



August 30, 2012

# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2012 AND 2011 (Dollars in thousands)

	2012	2011
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 671	\$ 775
INVESTMENTS AT FAIR VALUE:		
Equity securities	104,498	110,579
Timber and mineral properties	153,574	153,432
Real estate	31,040	27,973
Other	5,522	5,531
OTHER ASSETS	<u>768</u>	<u>1,009</u>
TOTAL	<u>\$ 296,073</u>	<u>\$ 299,299</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable	\$ 182	\$ 76
Note payable — University of South Alabama	11,493	15,085
Other liabilities	<u>637</u>	<u>642</u>
Total liabilities	<u>12,312</u>	<u>15,803</u>
NET ASSETS:		
Unrestricted	61,628	63,177
Temporarily restricted	52,887	51,393
Permanently restricted	<u>169,246</u>	<u>168,926</u>
Total net assets	<u>283,761</u>	<u>283,496</u>
TOTAL	<u>\$ 296,073</u>	<u>\$ 299,299</u>

See notes to consolidated financial statements.

# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012 (Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	\$ 5,513	\$ 768	\$ -	\$ 6,281
Rents, royalties, and timber sales	4,255		18	4,273
Interest and dividends	611	1,230	7	1,848
Gifts			195	195
Other income	5			5
Required match of donor contributions	(100)		100	
Interfund interest	(88)	88		-
Transfers	(864)	864		-
Net assets released from program restrictions (Note 8)	<u>1,456</u>	<u>(1,456)</u>		<u>-</u>
Total revenues, gains, losses, and other support	<u>10,788</u>	<u>1,494</u>	<u>320</u>	<u>12,602</u>
EXPENDITURES:				
Program services:				
Faculty support	2,307			2,307
Scholarships	1,023			1,023
Other academic programs	<u>1,096</u>			<u>1,096</u>
Total program services	4,426	-	-	4,426
Management and general	1,653			1,653
Other investment expense	1,638			1,638
Depletion expense	4,135			4,135
Depreciation expense	77			77
Interest expense	<u>408</u>			<u>408</u>
Total expenditures	<u>12,337</u>	<u>-</u>	<u>-</u>	<u>12,337</u>
(DECREASE) INCREASE IN NET ASSETS	(1,549)	1,494	320	265
NET ASSETS — Beginning of year	<u>63,177</u>	<u>51,393</u>	<u>168,926</u>	<u>283,496</u>
NET ASSETS — End of year	<u>\$ 61,628</u>	<u>\$ 52,887</u>	<u>\$ 169,246</u>	<u>\$ 283,761</u>

# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2011 (Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS, LOSSES, AND OTHER SUPPORT:</b>				
Net realized and unrealized gains (losses) on investments	\$ 12,852	\$ 12,258	\$ (22)	\$ 25,088
Rents, royalties, and timber sales	4,149		22	4,171
Interest and dividends	712	1,094	7	1,813
Gifts			21	21
Other income	148	1		149
Required match of donor contributions	(12)	1	11	-
Interfund interest	(92)	92		-
Net assets released from program restrictions (Note 8)	<u>1,173</u>	<u>(1,173)</u>		<u>-</u>
Total revenues, gains, losses, and other support	<u>18,930</u>	<u>12,273</u>	<u>39</u>	<u>31,242</u>
<b>EXPENDITURES:</b>				
Program services:				
Faculty support	2,154			2,154
Scholarships	945			945
Other academic programs	<u>1,071</u>			<u>1,071</u>
Total program services	4,170	-	-	4,170
Management and general	1,622			1,622
Other investment expense	1,682			1,682
Depletion expense	3,534			3,534
Depreciation expense	67			67
Interest expense	<u>305</u>			<u>305</u>
Total expenditures	<u>11,380</u>	<u>-</u>	<u>-</u>	<u>11,380</u>
INCREASE IN NET ASSETS	7,550	12,273	39	19,862
NET ASSETS — Beginning of year	<u>55,627</u>	<u>39,120</u>	<u>168,887</u>	<u>263,634</u>
NET ASSETS — End of year	<u>\$ 63,177</u>	<u>\$ 51,393</u>	<u>\$ 168,926</u>	<u>\$ 283,496</u>

See notes to consolidated financial statements.

# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011 (Dollars in thousands)

	2012	2011
OPERATING ACTIVITIES:		
Increase in net assets	\$ 265	\$ 19,862
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(6,281)	(25,088)
Depletion	4,135	3,534
Depreciation and amortization	264	67
Interest expense	408	305
Changes in operating assets and liabilities:		
Other assets	37	101
Accounts payable	106	(128)
Other liabilities	(5)	26
Net cash used in operating activities	<u>(1,071)</u>	<u>(1,321)</u>
INVESTING ACTIVITIES:		
Purchase of securities	(829)	(876)
Sale of securities	6,000	6,845
Reforestation of timber property	(176)	(361)
Acquisition costs on purchase of land	-	(304)
Downpayment on purchase of land		(4,000)
Purchase of furniture, fixtures, and equipment	<u>(28)</u>	<u>(76)</u>
Net cash provided by investing activities	<u>4,967</u>	<u>1,228</u>
FINANCING ACTIVITIES		
Payment on notes payable	<u>(4,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(4,000)</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(104)	(93)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>775</u>	<u>868</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 671</u>	<u>\$ 775</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Issuance of note payable in connection with acquisition of real estate (See Note 5)	<u>\$ -</u>	<u>\$ 14,780</u>

See notes to consolidated financial statements.



# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011 (Dollars in thousands)

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### 1. ORGANIZATION

The University of South Alabama Foundation (the "Foundation") was incorporated in March 1968 for the purpose of promoting education, scientific research, and charitable purposes and to assist in developing and advancing the University of South Alabama (the "University") in furthering, improving, and expanding its properties, services, facilities, and activities. Revenues are derived principally from investment income.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** — The accompanying consolidated financial statements include the accounts of the Foundation's wholly owned subsidiaries Knollwood Development, Inc., Shubuta Timber Services, Inc. and Brookley Bay Front Properties, LLC (hereinafter BBFP), an Alabama Limited Liability Company. All significant intercompany transactions have been eliminated in consolidation.

**Net Assets** — In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained on the accrual basis in accordance with the principles of "fund accounting." Thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. The Foundation presents its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions using three classifications: permanently restricted, temporarily restricted, and unrestricted. These three classifications are defined as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation.
- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

The Foundation considers all of its assets to be endowment assets for the support of the University. It therefore classifies all of its assets as "endowment funds" for purpose of required disclosures for such funds. In the absence of directions imposed by donors to utilize such funds for specific programs or purposes at the University, the Foundation classifies the net assets of such funds as "unrestricted."

**Support and Expenses** — Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets at the date of receipt. The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires; i.e., when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from program restrictions.

The Foundation sometimes receives restricted contributions that are conditional on the Foundation matching the contribution. Upon approval of the Board of Directors, such matches are reported as a reclassification of unrestricted net assets to restricted net assets.

**Cash Equivalents** — The Foundation considers temporary cash investments with an original maturity date of three months or less when purchased to be cash equivalents. The carrying amounts reported in the accompanying consolidated statements of financial position for cash and cash equivalents approximate their fair value.

**Investments in Securities** — Investments in marketable equity securities with readily determinable fair market values are maintained and administered in a common pool and are recorded at fair value based on quoted market prices of each security in the accompanying consolidated statements of financial position. Separate accounts are maintained for each fund, as applicable.

**Investments in Commonfund** — The Commonfund for Nonprofit Organizations (“Commonfund”) is a membership corporation that operates endowment funds for the exclusive benefit of institutions eligible for membership in the Commonfund. The Foundation holds investments in the Multi-Strategy Equity Fund and the International Equity Fund of the Commonfund. The objective of the Multi-Strategy Equity Fund is to offer an investment in a single fund to provide all of the strategy and manager diversification that an endowment would normally require for equity allocation. The fund is designed to add value over long periods of time and to reduce volatility. The investment objective of the International Equity Fund is to seek to diversify a U.S. equity portfolio with equity investments in companies domiciled abroad.

The Foundation’s units in the Multi-Strategy Equity Fund and the International Equity Fund are valued at their unit values as determined by Commonfund. Commonfund generally determines the unit values of each of its funds by reference to the fair values of the underlying investments, the majority of which consists of exchange-traded equity securities. Further information about Commonfund’s valuation procedures are as follows:

In the Multi-Strategy Equity Fund and the International Equity Fund, as managed by the Commonfund, equity securities listed on securities exchanges are valued at the last sale price except for those securities reported through the National Association of Securities Dealers Automated Quotation (NASDAQ) system, for which the NASDAQ official closing price is used. In the absence of either, the current bid price is used. Unlisted securities are valued at the current bid prices obtained from reputable brokers. Certain investments held by the funds may be traded by a market maker who may also be utilized to provide pricing information used to value such investments. Investments in units of other funds within Commonfund (known as crossfund investments) are carried at the unit value of the crossfund investment.

In these funds, investments in limited partnerships and other investment funds are valued at fair value, which is generally the latest net asset value made available by the fund manager or administrator prior to the valuation date. Other securities that are not readily marketable are also valued at fair value as deemed appropriate by management of Commonfund in consultation with the respective investment manager, with consideration given to the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. The amounts realized upon disposition of these investments may differ from the value reflected in the consolidated financial statements and the differences could be material.

**Timber** — Timber and timberlands, including logging roads, are stated at fair value, based on an independent appraisal, derived from the application of the cost approach, the sales comparison approach, and the income capitalization approach, less the accumulated depletion for timber when harvested. The Foundation capitalizes timber and timberland purchases and reforestation costs and other costs associated with the planting and growing of timber, such as site preparation, seedling purchases, planting, herbicide application, and thinning of tree stands to improve growth. Timber costs, such as real

estate taxes, forest management personnel salaries and fringe benefits, and other costs related to the timberlands, are expensed as incurred.

Timber sale revenues for clear-cut or lump-sum sales are recognized when legal ownership of the timber transfers to the purchaser. Timber deeds set forth the legal rights and responsibilities of the buyer, and at closing the full amount of the sale is due and payable and recognized at that time. Revenues from thinning of tree stands to improve growth are recognized as revenue as the buyer harvests the timber that is to be thinned. Timberland depletion is calculated on a unit cost basis and recognized when the related revenue is recognized.

**Mineral Properties** — Mineral properties are stated at estimated fair market value as determined by independent appraisals. Depletion of mineral properties is recognized over the remaining producing lives of the properties based on total estimated production and current-period production.

**Real Estate** — Real estate held for investment is stated at its estimated fair value based on independent appraisals.

**Common Investment Pool** — On June 5, 2006, the board of directors of the Foundation approved the establishment of a new investment pool, which consists of (1) all marketable equity securities held by the Foundation and (2) the Foundation's interest in land and timber, consisting of approximately 55,600 acres of timberland, known as the Equitable Tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the Disproportionate Share Hospital Funds to the Foundation's Equitable Timber Fund.

**Investment Income** — Investment income or loss (including gains and losses on investments, interest, dividends, rents, royalties, and timber sales) is included in the accompanying consolidated statements of activities and changes in net assets as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law, in which case, it is classified as temporarily or permanently restricted, as appropriate. Interfund interest is recorded at prevailing market rates on loans between funds to maintain the integrity of each fund's net assets.

**Income Tax Status** — The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Internal Revenue Code Section 501(c)(3).

**Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Foundation's investments include marketable equity securities valued by reference to quoted market prices, investments in Commonfund portfolios valued at unit values based on the fair values of underlying investments and timberland, mineral properties, and other real estate valued by appraisals. Such assets are subject to fluctuation in value due to normal market volatility and to estimation risk in the case of assets for which quoted market values are not available. The values ultimately realized by the Foundation for all such assets may be different from the values reported and these fluctuations may impact the Foundation's consolidated financial statements.

**New Accounting Standards** — In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. Non public entities are required to adopt ASU 2011-04 for annual periods beginning after December 15, 2011. Accordingly, the Foundation will be required to adopt ASU 2011-04 for the annual period ending June 30, 2013. ASU 2011-04 was issued to further explain how to measure fair value and improve the comparability of fair value measurements presented and disclosed in financial statements. The amendments expand the disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy including the valuation process used by the reporting entity and the sensitivity of the fair

value measurement to changes in unobservable inputs. The amendment also requires expanded disclosure about the reporting entity's use of a nonfinancial asset in a way that differs from the asset's highest and best use and the categorization by level of the fair value hierarchy for items that are not measured at fair value in the financial statements but for which fair value is required to be disclosed. The Foundation has not completed the process of evaluating the impact that will result from adopting ASU 2011-4. The Foundation is, therefore, unable to disclose the impact that adopting ASU 2011-4 will have on its financial position, results of operation, or cash flows.

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its investments:

- Cash and cash equivalents: The carrying amount reported in the accompanying consolidated statements of financial position for cash and cash equivalents approximates their fair value.
- Equity securities include investments in marketable equity securities and investments in Commonfund.

*Marketable Equity Securities:* Fair values are based on quoted market prices of each security that is actively traded in a public market. The Foundation's investment in such marketable equity securities was \$51,461 and \$48,054 at June 30, 2012 and 2011, respectively.

*Investments in Commonfund:* Fair values are based on unit values, as determined by Commonfund. As more fully described in Note 2, Commonfund determines unit values for each of its portfolios based on the fair values of the underlying assets. The Foundation's investment in Commonfund portfolios was \$53,037 and \$62,525 at June 30, 2012 and 2011, respectively.

- Timber, mineral properties, and real estate: Fair values of timberland, mineral properties, and real estate are determined by independent third-party appraisers using standard appraisal practices particular to the investment being appraised.
- Other consists primarily of the Foundation's interest in the Stallworth Land Company (the "Company"), a timberland management company (see Note 4).

### 4. INVESTMENTS

Investment income for the years ended June 30, 2012 and 2011, consisted of the following:

	2012	2011
Unrealized gains	\$ 5,840	\$ 24,043
Realized gains	<u>441</u>	<u>1,045</u>
Net realized and unrealized gains on investments	<u>6,281</u>	<u>25,088</u>
Timber sales	3,473	3,351
Rents	602	614
Royalties	<u>198</u>	<u>206</u>
Rents, royalties, and timber sales	<u>4,273</u>	<u>4,171</u>
Interest and dividends	<u>1,848</u>	<u>1,813</u>
Total investment income	<u>\$ 12,402</u>	<u>\$ 31,072</u>

Investment-related expenses of \$244 and \$238 are included in the Foundation's management and general expenses in the accompanying consolidated statements of activities and changes in net assets for the years ended June 30, 2012 and 2011, respectively.

As further described in Note 5, BBFP, whose sole member is the University of South Alabama Foundation, acquired from the University certain real estate known as the Brookley Complex on November 10, 2010. The purchase price, before adjustment for imputed financing costs and transaction costs, was \$20,000. Real estate at June 30, 2012 and 2011, consisted of the following property held:

	2012	2011
Land and land improvements — held for investment	\$ 29,913	\$ 26,816
Building and building improvements — held for investment	<u>1,127</u>	<u>1,157</u>
Total	<u>\$ 31,040</u>	<u>\$ 27,973</u>

**Other** — Investments at June 30, 2012 and 2011, include an equity interest in a timberland management company. That Company's primary asset consists of timberland. The Foundation's proportionate share of the fair value of that Company is based upon the valuation of the trustee responsible for the management of the Company and the timber valuation. The equity interest resulted from a bequest known as the Stallworth Gift, which was received through bequest and devise under the Will of N. Jack Stallworth.

Fair value measurements are classified as either observable or unobservable in nature. Observable fair values are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants. The Foundation's observable values consist of investments in exchange-traded equity securities with a readily determinable market price. Other observable values are fair value measurements derived either directly or indirectly from quoted market prices. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable. The Foundation's unobservable values consist of investments in timber and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

The Foundation's investment assets at June 30, 2012 and 2011, are summarized as follows:

Description	Fair Value Measurements at June 30, 2012			Total
	Observable Values Based on Quoted Prices	Other Observable Values	Unobservable Values	
Marketable equity securities	\$ 51,461	\$ 53,037	\$ -	\$ 104,498
Timber and mineral properties			153,574	153,574
Real estate			31,040	31,040
Other investments			<u>5,522</u>	<u>5,522</u>
	<u>\$ 51,461</u>	<u>\$ 53,037</u>	<u>\$ 190,136</u>	<u>\$ 294,634</u>

Fair Value Measurements at June 30, 2011				
Description	Observable Values Based on Quoted Prices	Other Observable Values	Unobservable Values	Total
Marketable equity securities	\$ 48,054	\$ 62,525	\$ -	\$ 110,579
Timber and mineral properties			153,432	153,432
Real estate			27,973	27,973
Other investments			5,531	5,531
	<u>\$ 48,054</u>	<u>\$ 62,525</u>	<u>\$ 186,936</u>	<u>\$ 297,515</u>

For the year ended June 30, 2012, activity in investment assets valued at fair value based on unobservable values is as follows:

	Timber and Mineral Properties	Real Estate	Other Investments	Total
Beginning balance	\$ 153,432	\$ 27,973	\$ 5,531	\$ 186,936
Total gains (losses) realized/unrealized	3,793	3,100	(9)	6,884
Reforestation	484			484
Depreciation/depletion	<u>(4,135)</u>	<u>(33)</u>		<u>(4,168)</u>
Ending balance	<u>\$ 153,574</u>	<u>\$ 31,040</u>	<u>\$ 5,522</u>	<u>\$ 190,136</u>

For the year ended June 30, 2011, activity in investment assets valued at fair value based on unobservable values is as follows:

	Timber and Mineral Properties	Real Estate	Other Investments	Total
Beginning balance	\$ 156,465	\$ 8,727	\$ 5,535	\$ 170,727
Total gains (losses) realized/unrealized	(160)	457	(4)	293
Additions		18,820		18,820
Reforestation	661			661
Depreciation/depletion	<u>(3,534)</u>	<u>(31)</u>		<u>(3,565)</u>
Ending balance	<u>\$ 153,432</u>	<u>\$ 27,973</u>	<u>\$ 5,531</u>	<u>\$ 186,936</u>

### Endowment

The Foundation's endowment funds consist of individual funds established for a variety of purposes. Endowment funds include both donor-restricted endowment funds and board-designated endowment funds. Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of the Law

The Foundation conducts the operations of the Foundation in accordance with the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009, and continuing thereafter, unless otherwise determined by the Foundation. The Board of Directors and management of

the Foundation interpret UPMIFA as obligating the Foundation to preserve, as donor-restricted assets, each original gift received by the Foundation as donor-restricted endowment funds. The Foundation, accordingly, classifies each such original gift, and any subsequent gifts, as permanently restricted. The remaining portion of any donor-restricted endowment that is not classified as permanently restricted is classified as temporarily restricted net assets, until such time as any of such remaining portion is appropriated for expenditure. In managing each endowment fund held by it, the Foundation considers, if relevant, the duration and preservation of the fund, the purposes of the Foundation and the fund, general economic conditions, any restrictions imposed by the donor, the possible effect of inflation or deflation, the expected total return from income and appreciation of investments, the other resources of the Foundation, and the investment policy of the Foundation.

Endowment net asset composition at June 30, 2012, by type of fund is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-Restricted Endowment Funds	\$ 38,518	\$ 52,887	\$ 169,246	\$ 260,651
Board-Designated Endowment Funds	<u>23,110</u>	<u>          </u>	<u>          </u>	<u>23,110</u>
Total	<u>\$ 61,628</u>	<u>\$ 52,887</u>	<u>\$ 169,246</u>	<u>\$ 283,761</u>

Endowment net asset composition at June 30, 2011, by type of fund is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-Restricted Endowment Funds	\$ 39,405	\$ 51,393	\$ 168,926	\$ 259,724
Board-Designated Endowment Funds	<u>23,772</u>	<u>          </u>	<u>          </u>	<u>23,772</u>
Total	<u>\$ 63,177</u>	<u>\$ 51,393</u>	<u>\$ 168,926</u>	<u>\$ 283,496</u>

Changes in endowment net assets during the year ended June 30, 2012, are as follows:

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	<u>\$ 39,405</u>	<u>\$23,772</u>	<u>\$ 51,393</u>	<u>\$168,926</u>	<u>\$283,496</u>
Investment return:					
Investment income	4,573	298	1,230	25	6,126
Net unrealized and realized gains	5,472	41	768		6,281
Interfund interest	<u>(93)</u>	<u>5</u>	<u>88</u>	<u>      </u>	<u>-</u>
Total investment return	9,952	344	2,086	25	12,407
Gifts				195	195
Required match	(100)			100	-
Net assets released from restrictions	2,512	(1,056)	(1,456)		-
Transfers	(914)	50	864		
Expenditures	<u>(12,337)</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>(12,337)</u>
Net change	<u>(887)</u>	<u>(662)</u>	<u>1,494</u>	<u>320</u>	<u>265</u>
Ending balance	<u>\$ 38,518</u>	<u>\$23,110</u>	<u>\$ 52,887</u>	<u>\$169,246</u>	<u>\$283,761</u>

Changes in endowment net assets during the year ended June 30, 2011, are as follows:

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	<u>\$ 31,774</u>	<u>\$23,853</u>	<u>\$ 39,120</u>	<u>\$ 168,887</u>	<u>\$263,634</u>
Investment return:					
Investment income	4,735	274	1,095	29	6,133
Net unrealized and realized gains	12,171	681	12,258	(22)	25,088
Interfund interest	<u>(98)</u>	<u>6</u>	<u>92</u>	<u>      </u>	<u>-</u>
Total investment return	16,808	961	13,445	7	31,221
Gifts				21	21
Required match	(12)		1	11	-
Net assets released from restrictions	2,215	(1,042)	(1,173)		-
Expenditures	<u>(11,380)</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>(11,380)</u>
Net change	<u>7,631</u>	<u>(81)</u>	<u>12,273</u>	<u>39</u>	<u>19,862</u>
Ending balance	<u>\$ 39,405</u>	<u>\$23,772</u>	<u>\$ 51,393</u>	<u>\$ 168,926</u>	<u>\$283,496</u>



## Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the amount classified as permanently restricted. These deficiencies are typically a result of unfavorable market fluctuations. The total amount of deficiencies reported in donor-restricted funds are \$4 and \$8 as of June 30, 2012 and 2011, respectively. Such deficiencies have been charged to unrestricted net assets reflecting the Foundation's requirement to maintain the original contributed value of the related funds in perpetuity.

## 5. NOTE PAYABLE

In an effort to assist the University in furtherance of its tax-exempt purpose and in order to accelerate its support of the Pediatric Expansion of USA Children's and Women's Hospital, the Board of Directors authorized, in a resolution adopted May 27, 2010, the Foundation to negotiate an agreement to purchase the Brookley Center campus owned by the University. The May 27, 2010, resolution revoked the May 22, 2008, resolution as it pertained to the support of the Pediatric Expansion of USA Children's and Women's Hospital. On November 10, 2010, BBFP, an Alabama limited liability company, having as its sole member the Foundation, purchased the Brookley Complex from the University of South Alabama for \$20,000 payable in five annual installments of Four Million Dollars (\$4,000). BBFP paid the University Four Million Dollars (\$4,000) at closing and entered into a non-interest bearing installment note for Sixteen Million Dollars (\$16,000). The installment note was discounted to its present value at the prime interest rate of 3.25% which approximates the rate at which BBFP could have borrowed the amount payable. Imputed interest expense was approximately \$408 for the year ended June 30, 2012.

Future maturities of the note for years ending June 30 are as follows:

2013	\$ 4,000
2014	4,000
2015	4,000
2016	
Discount on Note Payable	
	<u>\$ 12,000</u>

It is further the intention and expectation of the Board of the Foundation, as reflected in the resolution adopted May 27, 2010, that after BBFP has completed payment of the purchase price, the Foundation would begin funding to the University an annual target distribution of 3% of the net assets of the DSH Funds held by the Foundation, subject to certain financial and other conditions.

During the period over which the note is outstanding, the University retains ownership and usage rights of all buildings and improvements on the Brookley Complex property and an exclusive easement over the land for five years. Ownership of such buildings and improvements transfers to BBFP at the time the note is fully paid. BBFP may at its option, prepay the note, and take ownership of the buildings and improvements prior to the scheduled maturity date of the note.

**6. NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2012 and 2011, temporarily restricted net assets were available for the following purposes:

	2012	2011
Instruction	\$20,544	\$20,408
Hospital, clinics, and related programs	15,380	14,562
College of medicine — other than instruction	8,711	8,371
Student aid	4,827	4,799
Other	<u>3,425</u>	<u>3,253</u>
Total	<u>\$52,887</u>	<u>\$51,393</u>

**7. NATURE AND AMOUNT OF PERMANENTLY RESTRICTED NET ASSETS**

At June 30, 2012 and 2011, only the income from the following permanently restricted net assets was permitted to be used for the purposes indicated:

	2012	2011
Hospital, clinics, and related programs	\$131,586	\$131,586
Instruction	19,190	19,185
Student aid	9,193	9,190
College of medicine — other than instruction	2,129	2,127
Other	<u>7,148</u>	<u>6,838</u>
Total	<u>\$169,246</u>	<u>\$168,926</u>

**8. NET ASSETS RELEASED FROM PROGRAM RESTRICTIONS**

Expenses were incurred that met temporary purpose-related restrictions on the use of certain net assets, resulting in a reclassification of net assets from temporarily restricted to unrestricted during the years ended June 30, 2012 and 2011, as follows:

	2012	2011
Instruction	\$1,195	\$1,021
Student aid	159	86
Other	<u>102</u>	<u>66</u>
Total	<u>\$1,456</u>	<u>\$1,173</u>

**9. OTHER RELATED-PARTY TRANSACTIONS**

At June 30, 2012 and 2011, net assets held by the Foundation, irrevocably for the benefit, as determined by the Foundation, of the University's hospitals, clinics, and related programs (Disproportionate Share Hospital Funds), were \$143,224 and \$139,971, respectively.

**10. RETIREMENT PLANS**

The Foundation sponsors a contributory defined-contribution retirement plan for certain employees. The Foundation's contributions to the retirement plan were approximately \$119 and \$131 for the years ended June 30, 2012 and 2011, respectively.

\* \* \* \* \*

# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

*Disproportionate Share Hospital Funds  
Combined Financial Statements as of and  
for the Years Ended June 30, 2012 and 2011, and  
Independent Auditors' Report*

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**DISPROPORTIONATE SHARE HOSPITAL FUNDS  
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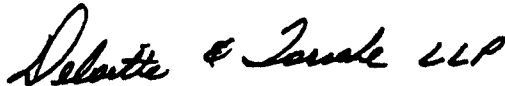
## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
University of South Alabama Foundation:

We have audited the accompanying combined statements of financial position of the Disproportionate Share Hospital Funds (the "DSH Funds") of the University of South Alabama Foundation (the "Foundation") as of June 30, 2012 and 2011, and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DSH Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the combined financial position of the DSH Funds as of June 30, 2012 and 2011, and the related activities and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



August 30, 2012

UNIVERSITY OF SOUTH ALABAMA  
**FOUNDATION**

**DISPROPORTIONATE SHARE HOSPITAL FUNDS**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2012 AND 2011**  
**(Dollars in thousands)**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
INVESTMENTS:		
New Investment Pool—at fair value	\$ 139,110	\$ 135,688
Real estate	3,700	3,600
RECEIVABLE FROM AFFILIATES	<u>414</u>	<u>683</u>
TOTAL	<u>\$ 143,224</u>	<u>\$ 139,971</u>
<b>NET ASSETS</b>		
NET ASSETS:		
Unrestricted	\$ (3,742)	\$ (6,177)
Temporarily restricted	15,380	14,562
Permanently restricted	<u>131,586</u>	<u>131,586</u>
Total net assets	<u>143,224</u>	<u>139,971</u>
TOTAL	<u>\$ 143,224</u>	<u>\$ 139,971</u>

See notes to combined financial statements.

# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

## DISPROPORTIONATE SHARE HOSPITAL FUNDS COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012 (Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	\$ 715	\$ 215	\$ -	\$ 930
Interest and dividends	953	329		1,282
Interfund interest	68	29		97
Transfers	<u>711</u>	<u>245</u>	<u></u>	<u>956</u>
Total revenues, gains, and other support	2,447	818	-	3,265
EXPENDITURES:				
Other investment expense	<u>12</u>	<u></u>	<u></u>	<u>12</u>
Total expenditures	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>
INCREASE IN NET ASSETS	2,435	818		3,253
NET ASSETS AT BEGINNING OF YEAR	<u>(6,177)</u>	<u>14,562</u>	<u>131,586</u>	<u>139,971</u>
NET ASSETS AT END OF YEAR	<u>\$ (3,742)</u>	<u>\$ 15,380</u>	<u>\$ 131,586</u>	<u>\$ 143,224</u>

See notes to combined financial statements.

# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

## DISPROPORTIONATE SHARE HOSPITAL FUNDS COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2011 (Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Net realized and unrealized gains on investments	\$ 8,327	\$ 4,171	\$ -	\$ 12,498
Interest and dividends	927	278		1,205
Interfund interest	<u>94</u>	<u>23</u>		<u>117</u>
Total revenues, gains, and other support	9,348	4,472	-	13,820
EXPENDITURES:				
Other investment expense	<u>12</u>			<u>12</u>
Total expenditures	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>
INCREASE IN NET ASSETS	9,336	4,472		13,808
NET ASSETS AT BEGINNING OF YEAR	<u>(15,513)</u>	<u>10,090</u>	<u>131,586</u>	<u>126,163</u>
NET ASSETS AT END OF YEAR	<u>\$ (6,177)</u>	<u>\$ 14,562</u>	<u>\$ 131,586</u>	<u>\$ 139,971</u>

See notes to combined financial statements.



# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

## DISPROPORTIONATE SHARE HOSPITAL FUNDS COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011 (Dollars in thousands)

	2012	2011
OPERATING ACTIVITIES:		
Increase in net assets	\$ 3,253	\$ 13,808
Adjustments to reconcile increase in net assets to		
Net cash provided in operating activities:		
Net unrealized gain on investments	(2,844)	(13,698)
Loss on sale of investments	958	1,200
Changes in operating assets and liabilities:		
Receivable from affiliate	269	(110)
Net cash provided by operating activities	1,636	1,200
INVESTING ACTIVITIES:		
Purchases of securities	(1,636)	(1,336)
Sale of securities		136
Net cash used in investing activities	(1,636)	(1,200)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS—Beginning of year		
CASH AND CASH EQUIVALENTS—End of year	\$ -	\$ -

See notes to combined financial statements.

# UNIVERSITY OF SOUTH ALABAMA FOUNDATION

## DISPROPORTIONATE SHARE HOSPITAL FUNDS NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011 (Dollars in thousands)

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### 1. ORGANIZATION

The University of South Alabama Foundation (the "Foundation" or "USAF") was incorporated in March 1968 for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University of South Alabama (the "University") in furthering, improving, and expanding its properties, services, facilities, and activities. Revenues are derived principally from investment income and contributions.

The Disproportionate Share Hospital Funds (the "DSH Funds") were matching funds disbursed by the Health Care Financing Administration of the U.S. Department of Health and Human Services to the states through their Medicaid agencies for the purpose of compensating hospitals, such as those operated by the University, that provided medical care and treatment to a disproportionate share of indigent patients in their respective areas.

Access to the DSH Funds for Alabama was made possible by the University of South Alabama Foundation Board, beginning in October 1989, when the Board of the Foundation approved the entry into the matching program. Over a one-year period, the Foundation made a monthly revolving contribution of \$2 million, which yielded approximately \$24 million in federal grant monies. The Board of Trustees of the University adopted a resolution in March 1990, authorizing the transfer of the DSH Funds to the Foundation to be held by it to preserve and ensure the continued viability of the University of South Alabama Hospitals ("University Hospitals") and their overall mission.

Litigation relating to the transfer of the DSH Funds was settled in November 1993, when an agreement was reached among the Department of Examiners of Public Accounts of the State of Alabama, the Board of Trustees of the University, and the Board of Directors of the Foundation, which required that all Medicaid disproportionate share hospital funds received through September 30, 1994, be transferred to the Foundation and held irrevocably for the benefit, as determined by the Foundation, of the University Hospitals and clinics and the other programs of the University that benefit such hospitals and clinics. Further, the agreement recognized the Foundation as the lawful holder and owner of the DSH Funds and that the investment and management of the DSH Funds were solely within the authority of the Foundation's Board.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The accompanying combined financial statements include the DSH Funds and Knollwood Development, Inc., a wholly owned subsidiary of the Foundation and an affiliate originally funded by DSH Funds. All significant interfund transactions have been eliminated in combination.

**Net Assets**—In order to ensure observance of limitations and restrictions placed on the use of the resources available to the DSH Funds, the accounts of the DSH Funds are maintained on the accrual basis in accordance with the principles of “fund accounting.” Thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. The Foundation presents its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions, using three classifications: permanently restricted; temporarily restricted; and unrestricted. These three classifications are defined as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently but permit the use or expenditure of part or all of the income derived from the donated assets for specified or unspecified purposes.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the use or expenditure of the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation.
- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

**Support**—Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets at the date of receipt. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

**Cash Equivalents**—Temporary cash investments with an original maturity date of three months or less when purchased are considered to be cash equivalents. The carrying amounts reported in the accompanying combined statements of financial position for cash and cash equivalents approximate their fair values.

**Investments in Securities**—Investments in equity securities are maintained and administered in a common pool by the Foundation. Amounts presented in these combined financial statements represent the DSH Funds proportionate share of the Foundation’s investments.

**Investments in Commonfund**—The Commonfund for Nonprofit Organizations (“Commonfund”) is a membership corporation that operates investment funds for the exclusive benefit of institutions eligible for membership in the Commonfund. The Foundation holds investments in the Multi-Strategy Equity Fund and the International Equity Fund of the Commonfund. The objective of the Multi-Strategy Equity Fund is to offer an investment in a single fund to provide all of the strategy and manager diversification that an endowment would normally require for equity allocation. The fund is designed to add value over long periods of time and to reduce volatility. The investment objective of the International Equity Fund is to seek to diversify a U.S. equity portfolio with equity investments in companies domiciled abroad.

The Foundation’s units in the Multi-Strategy Equity Fund and the International Equity Fund are valued at their unit values as determined by Commonfund. Commonfund generally determines the

unit values of each of its Funds by reference to the fair values of the underlying investments, the majority of which consists of exchange-traded equity securities. Further information about Commonfund's valuation procedures follows.

In the Multi-Strategy Equity Fund and the International Equity Fund, as managed by Commonfund, equity securities listed on securities exchanges are valued at the last sale price, except for those securities reported through the National Association of Securities Dealers Automated Quotation System (NASDAQ), for which the NASDAQ Official Closing Price is used. In the absence of either, the current bid price is used. Unlisted securities are valued at the current bid prices obtained from reputable brokers. Certain investments held by the funds may be traded by a market maker who may also be utilized to provide pricing information used to value such investments. Investments in units of other funds within Commonfund (known as "crossfund investments") are carried at the unit value of the crossfund investment.

In these funds, investments in limited partnerships and other investment funds are valued at fair value, which is generally the latest net asset value made available by the fund manager or administrator prior to the valuation date. Other securities that are not readily marketable are also valued at fair value as deemed appropriate by management of Commonfund in consultation with the respective investment manager, with consideration given to the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. The amounts realized upon disposition of these investments may differ from the value reflected in the financial statements and the differences could be material.

**Investment Income**—Investment income or loss (including gains and losses on investments, interest, dividends, rents, royalties, and timber sales) is included in the accompanying combined statement of activities and changes in net assets as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law, in which case it is classified as temporarily or permanently restricted, as appropriate. Interfund interest is recorded at prevailing market rates on loans between funds to maintain the integrity of each fund's net assets.

**Income Allocation**—The DSH Funds participate in the New Investment Pool (the "Pool") as described in Note 4. Funds that participate in the Pool, including DSH Funds, receive a monthly allocation of income and loss experienced by the Pool. Allocations made by the Pool to its participants are based on the relative participation levels of investment in the Pool by each participating fund.

**Income Tax Status**—The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Internal Revenue Code Section 501(c)(3).

**Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The DSH Funds participate in the Foundation's New Investment Pool (see Note 4). The New Investment Pool consists of the Foundation's investment in marketable securities, valued by reference to quoted market prices, investments in Commonfund portfolios valued at unit values based on the fair values of the underlying investments, and timberland, mineral properties, and other real estate valued by appraisals. Such assets are subject to fluctuation in value due to normal market volatility, and to estimation risk in the case of assets for which market values are not available. The values ultimately

realized by the Foundation for all such assets may be different from the values reported and these fluctuations may impact the DSH Fund's financial statements.

***New Accounting Standards*** — In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. Non public entities are required to adopt ASU 2011-04 for annual periods beginning after December 15, 2011. Accordingly, the DSH Funds will be required to adopt ASU 2011-04 for the annual period ending June 30, 2013. ASU 2011-04 was issued to further explain how to measure fair value and improve the comparability of fair value measurements presented and disclosed in financial statements. The amendments expand the disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy including the valuation process used by the reporting entity and the sensitivity of the fair value measurement to changes in unobservable inputs. The amendment also requires expanded disclosure about the reporting entity's use of a nonfinancial asset in a way that differs from the asset's highest and best use and the categorization by level of the fair value hierarchy for items that are not measured at fair value in the financial statements but for which fair value is required to be disclosed. The DSH Funds have not completed the process of evaluating the impact that will result from adopting ASU 2011-4. The DSH Funds are therefore unable to disclose the impact that adopting ASU 2011-4 will have on its financial position, results of operation, or cash flows.

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its investments:

- **Cash and Cash Equivalents:** The carrying amount reported in the accompanying combined statement of financial position for cash and cash equivalents approximates its fair value.
- **Equity Securities:** Includes investments in marketable securities and investments in Commonfund:

*Marketable Equity Securities:* Fair values are based on quoted market prices of each security with readily determinable fair values.

*Investments in Commonfund:* Fair values are based on unit values, as determined by Commonfund. As more fully described in Note 2, Commonfund determines unit values for each of its portfolios based on the fair values of the underlying assets.

- **Timberland, Mineral Properties, and Real Estate:** Fair values of timberland, mineral properties, and real estate are determined by independent third-party appraisers using standard appraisal practices particular to the investment being appraised.

### 4. INVESTMENTS

Investments consisted of participation in the Foundation's pooled investment funds. On June 5, 2006, the Board of the Foundation approved the establishment of a New Investment Pool, which consists of (1) all marketable equity securities held by the Foundation, and (2) the Foundation's interest in the land and timber consisting of approximately 55,600 acres of timberland known as the

Equitable Tract, which the Foundation acquired in 1997 with financing that was provided, in part, from the DSH Funds to the Foundation's Equitable Timber Fund (3) and the Foundation's interest in the Brookley Complex acquired November 10, 2010. Effective June 30, 2006, upon establishment of the Pool, the interest in the Pool allocated to the DSH Funds was equal in value to the sum of (1) the value of the interest that was allocated to the DSH Funds in the Foundation's existing securities pool at June 30, 2006, and (2) the amount of the aggregate receivable for principal and interest owed by the Equitable Timber Fund to the DSH at June 30, 2006. All pooled investment activity subsequent to June 30, 2006, is allocated between DSH Funds and other USAF funds based on each fund's initial share of the Pool, adjusted for subsequent contributions and distributions.

Investment income for the years ended June 30, 2012 and 2011, consisted of the following:

	2012	2011
Unrealized gains	\$ 1,888	\$ 13,698
Realized losses	(958)	(1,200)
Interest and dividends	1,282	1,205
Interfund interest	<u>97</u>	<u>117</u>
	<u>\$ 2,309</u>	<u>\$ 13,820</u>

Real estate at June 30, 2012 and 2011, consisted of land and land improvements.

Fair value measurements are classified as either observable or unobservable in nature. Observable fair values are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants. The New Investment Pool's observable values consist of investments in exchange traded equity securities with a readily determinable market price. Other observable values are fair value measurements derived either directly or indirectly from quoted market prices. The New Investment Pool's other observable values are an investment in a managed fund held by a third party. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable. The DSH Funds' unobservable values consist of its interest in the New Investment Pool's timberland and real estate with fair values based on extensive independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

The Foundation's Investment Pool assets are summarized as follows:

<b>Fair Value Measurements at June 30, 2012</b>				
<b>Description</b>	<b>Observable Values Based on Quoted Prices</b>	<b>Other Observable Values</b>	<b>Unobservable Values</b>	<b>Total</b>
New Investment Pool interest in marketable equity securities	\$ 51,461	\$ 53,037	\$ -	\$ 104,498
New Investment Pool interest in timber			105,500	105,500
New Investment Pool interest in real estate			23,000	23,000
Real estate			3,700	3,700
	<u>\$ 51,461</u>	<u>\$ 53,037</u>	<u>\$ 132,200</u>	<u>\$ 236,698</u>

<b>Fair Value Measurements at June 30, 2011</b>				
<b>Description</b>	<b>Observable Values Based on Quoted Prices</b>	<b>Other Observable Values</b>	<b>Unobservable Values</b>	<b>Total</b>
New Investment Pool interest in marketable equity securities	\$ 48,054	\$ 62,525	\$ -	\$ 110,579
New Investment Pool interest in timber			104,900	104,900
New Investment Pool interest in real estate			20,000	20,000
Real estate			3,600	3,600
	<u>\$ 48,054</u>	<u>\$ 62,525</u>	<u>\$ 128,500</u>	<u>\$ 239,079</u>

For the year ended June 30, 2012, activity in the Foundation's Pooled Investment assets valued at fair value based on unobservable values is as follows:

	<b>Investment Pool Interest in Timber</b>	<b>Investment Pool Interest in Real Estate</b>	<b>Real Estate</b>	<b>Total</b>
Beginning balance	\$ 104,900	\$ 20,000	\$ 3,600	\$ 128,500
Total realized and unrealized gains	3,116	3,000	100	6,216
Reforestation	367			367
Depletion	(2,883)			(2,883)
Ending balance	<u>\$ 105,500</u>	<u>\$ 23,000</u>	<u>\$ 3,700</u>	<u>\$ 132,200</u>

For the year ended June 30, 2011, activity in the Foundation's Pooled Investment assets valued at fair value based on unobservable values is as follows:

	Investment Pool Interest in Timber	Investment Pool Interest in Real Estate	Real Estate	Total
Beginning balance	\$ 107,300	\$ -	\$ 3,600	\$ 110,900
Total realized and unrealized gains (losses)	(333)	1,220		887
Additions		18,780		18,780
Reforestation	597			597
Depletion	(2,664)			(2,664)
Ending balance	<u>\$ 104,900</u>	<u>\$ 20,000</u>	<u>\$ 3,600</u>	<u>\$ 128,500</u>

The DSH Funds' holds a proportionate interest in the value of the Foundation's Investment Pool. On June 30, 2012, the value of DSH units in the Pool was \$139,110 and at June 30, 2011, the value of DSH units in the Pool was \$135,688.

## 5. RELATED-PARTY TRANSACTIONS

At June 30, 2012 and 2011, receivables from affiliated entities totaled \$414 and \$683, respectively. These amounts are due to the DSH Funds from other entities owned by the Foundation. These receivables earn interest at a standard market rate, based on the applicable federal rates (rates used for federal tax purposes). Interest income was \$97 and \$117 for the years ended June 30, 2012 and 2011, respectively. As described in Note 4, effective June 30, 2006, the DSH Funds participate in the Pool of the Foundation and the DSH Funds earn a proportionate share of investment income of the Pool.

In an effort to assist the University in furtherance of its tax-exempt purpose and in order to accelerate its support of the Pediatric Expansion of USA Children's and Women's Hospital, the Foundation's Board of Directors authorized in a resolution adopted on May 27, 2010, the Foundation to negotiate an agreement to purchase the Brookley Center campus owned by the University. The May 27, 2010, resolution revoked the May 22, 2008, resolution as it pertained to the support of the Pediatric Expansion of USA Children's and Women's Hospital. On November 10, 2010, Brookley Bay Front Properties, LLC (hereinafter BBFP), an Alabama Limited Liability Company, whose sole member is the University of South Alabama Foundation, purchased the Brookley Complex from the University of South Alabama for Twenty Million Dollars (\$20,000) payable in five annual installments of Four Million Dollars (\$4,000). BBFP paid the University Four Million Dollars (\$4,000) at closing and entered into a non-interest bearing installment note for Sixteen Million Dollars (\$16,000).

It is further the intention and expectation of the Board of the Foundation, as reflected in the resolution adopted May 27, 2010, that after BBFP has completed payment of the purchase price, the Foundation would begin funding to the University an annual target distribution of 3% of the net assets of the DSH Funds held by the Foundation, subject to certain financial and other conditions.

During the period over which the note is outstanding, the University retains ownership and usage rights of all buildings and improvements on the Brookley Complex property and an exclusive easement over the land for five years. Ownership of such buildings and improvements transfers to



BBFP at the time the note is fully repaid. BBFP, may at its option, prepay the note, and take ownership of the buildings and improvements prior to the scheduled maturity of such note.

#### **6. NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2012 and 2011, temporarily restricted net assets of \$15,380 and \$14,562, respectively, were available for the support of hospitals, clinics, and related programs of the University.

#### **7. NATURE AND AMOUNT OF PERMANENTLY RESTRICTED NET ASSETS**

At June 30, 2012 and 2011, permanently restricted net assets of \$131,586 and \$131,586, respectively, are restricted to investments in perpetuity, the income from which may be used for the support of hospitals, clinics, and related programs of the University.

#### **8. ENDOWMENT**

##### **Interpretation of the Law**

The University of South Alabama Foundation conducts the operations of the Foundation in accordance with the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective January 1, 2009, and continuing thereafter unless otherwise determined by the Foundation. The Board of Directors and management of the Foundation interpret UPMIFA as obligating the Foundation to preserve, as donor-restricted assets, each original gift received by the Foundation as donor-restricted endowment funds.

The Foundation, accordingly, classifies each such original gift, and any subsequent gifts, as permanently restricted. The remaining portion of any donor-restricted endowment that is not classified as permanently restricted is classified as temporarily restricted net assets, until such time as any of such remaining portion is appropriated for expenditure. In managing each endowment fund held by it, the Foundation considers, if relevant, the duration and preservation of the fund, the purposes of the Foundation and the fund, general economic conditions, any restrictions imposed by the donor, the possible effect of inflation or deflation, the expected total return from income and appreciation of investments, the other resources of the Foundation, and the investment policy of the Foundation.

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**RESOLUTION**

**APPRECIATION TO THE FACULTY AND STAFF  
FOR EXEMPLARY CONTRIBUTIONS**

**WHEREAS**, the teaching, research, healthcare, and service programs of the University of South Alabama create positive momentum in the northern Gulf Coast communities it serves, and

**WHEREAS**, philanthropic support of the University's programs magnifies their beneficial effect on the quality of life, culture, economy, and health of citizens near and far, and

**WHEREAS**, the employees of the University, through the Faculty Staff Annual Fund, have firmly established themselves among its most loyal supporters, and

**WHEREAS**, the leadership of co-chairs Dr. Joel Erdmann and Mr. Owen Bailey, along with the dedicated effort of 150 divisional representatives, has propelled the 2012 Faculty Staff Annual Fund Campaign to a new milestone of achievement in attracting gifts and matching funds in excess of \$1 million for the first time, and

**WHEREAS**, this exemplary philanthropic commitment to the mission of the University by 3,142 of those who know it best, its faculty and staff members, will go far to persuade potential students, employees, donors, and collaborators that the University of South Alabama is a trustworthy and able partner, and

**WHEREAS**, the extraordinary impact that \$1 million will make on the progress of the University and its corresponding impact within our community deserves the gratitude and commendation of the Board of Trustees,

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama does hereby thank and congratulate the donors and leaders of the 2012 Faculty Staff Annual Fund Campaign for exceptional contributions to the advancement of the University's mission and the prosperity of the Gulf Coast region.

**RESOLUTION**

**COMMENDATION OF DR. JOAN L. EXLINE,  
ASSOCIATE VICE PRESIDENT FOR INSTITUTIONAL RESEARCH, PLANNING,  
ASSESSMENT AND REGIONAL CAMPUSES**

**WHEREAS**, the University of South Alabama seeks to honor exceptional individuals who have given a substantial part of their lives to serving others and who have distinguished themselves throughout their professional careers, and

**WHEREAS**, Dr. Joan L. Exline was a dedicated administrator at the University of South Alabama, serving as Associate Vice President for Institutional Research, Planning, Assessment and Regional Campuses since 2008, and

**WHEREAS**, Dr. Exline chaired numerous committees and developed new programs at the University, and

**WHEREAS**, Dr. Exline served as a valued member of the University's faculty, teaching courses in Health Administration and Policy in the Master of Public Administration program, and

**WHEREAS**, Dr. Exline committed her extensive time, knowledge, professionalism and leadership to the University and was instrumental in improving processes and practices to bring the University of South Alabama into compliance with the principles and standards of the Southern Association of Colleges and Schools (SACS), and

**WHEREAS**, the administration, faculty and staff wish to extend their appreciation and gratitude to the family of Dr. Exline for her valuable contributions to the University of South Alabama,

**THEREFORE, BE IT RESOLVED** that the Board of Trustees hereby expresses its sincere appreciation to the late Dr. Joan L. Exline for her generous service to the University of South Alabama, thereby benefitting the Institution, and

**BE IT FURTHER RESOLVED** that the many significant contributions made by Dr. Exline to the University have greatly enhanced the SACS accreditation process, thereby benefitting the University of South Alabama administration, faculty, staff and students, and

**BE IT FINALLY RESOLVED**, the University of South Alabama extends its deepest sympathies and condolences to the family of Dr. Joan Exline, and is sincerely grateful for the wisdom and friendship she gave to the University of South Alabama.

## RESOLUTION

### APPRECIATION TO SENATOR RICHARD C. SHELBY AND DR. ANNETTE N. SHELBY FOR OUTSTANDING CONTRIBUTIONS TO THE UNIVERSITY OF SOUTH ALABAMA

**WHEREAS**, United States Senator Richard C. Shelby and Dr. Annette N. Shelby have been longtime supporters of the University of South Alabama and its academic programs, and

**WHEREAS**, Senator Shelby and Dr. Shelby, in May 2006, were awarded Honorary Doctorates by the University in recognition of their exemplary leadership, accomplishments, and contributions to higher education, both within the state of Alabama and nationally, and

**WHEREAS**, in February 2007, the USA National Alumni Association also presented Senator Shelby with its highest honor, the Distinguished Service Award, and

**WHEREAS**, Senator Shelby has been instrumental in helping USA secure federal funding for numerous projects, supporting areas such as the USA Mitchell Cancer Institute, USA Transit System, Telemedicine, Center for Estuarine Research, Oyster Bed Restoration, Coastal Weather Research Center, Youth Violence Prevention, Rural Vehicular Trauma Study, Coastal Engineering, Hurricane Intensity Research, High Peak Power Plasma Thruster, Mitchell College of Business, High Strength Composite Materials, and many others, and

**WHEREAS**, Senator Shelby has also advanced the University's core missions of teaching, research, and service by helping to secure more than \$40 million in federal funding for Shelby Hall, a new state-of-the-art facility that houses the College of Engineering and the School of Computing, and

**WHEREAS**, the 155,000-square-foot building features technologically advanced multimedia classrooms, laboratory space, study rooms and computing facilities, enhancing the quality of science, technology, engineering, and mathematics education, and

**WHEREAS**, this world-class engineering and computer science facility will help the University attract the best and brightest students and faculty, thus securing a better future for Mobile and the state of Alabama, and

**WHEREAS**, Shelby Hall is expected to spur local economic development by providing industry with highly qualified engineers and computing science professionals, creating new technology, and attracting and sustaining high-quality jobs, and

**WHEREAS**, new partnerships between student and faculty researchers and industry will form as a result of this new facility, providing real-world learning experiences for USA students and ensuring continued growth of the Gulf Coast economy, and

**WHEREAS**, the dedication of Shelby Hall marks a new era for the University and the Mobile region, forever improving the infrastructure for engineering and computer science education,

**THEREFORE, BE IT RESOLVED**, it is with great pride that the Shelby name will forever be a part of the University of South Alabama landscape by virtue of a prior resolution from the USA Board of Trustees naming Shelby Hall in their honor, and

**BE IT FURTHER RESOLVED** that the University family wishes to again express its deepest affection and appreciation for the transformational impact Senator Richard C. Shelby and Dr. Annette N. Shelby have had upon all levels of education in Alabama and across the nation.